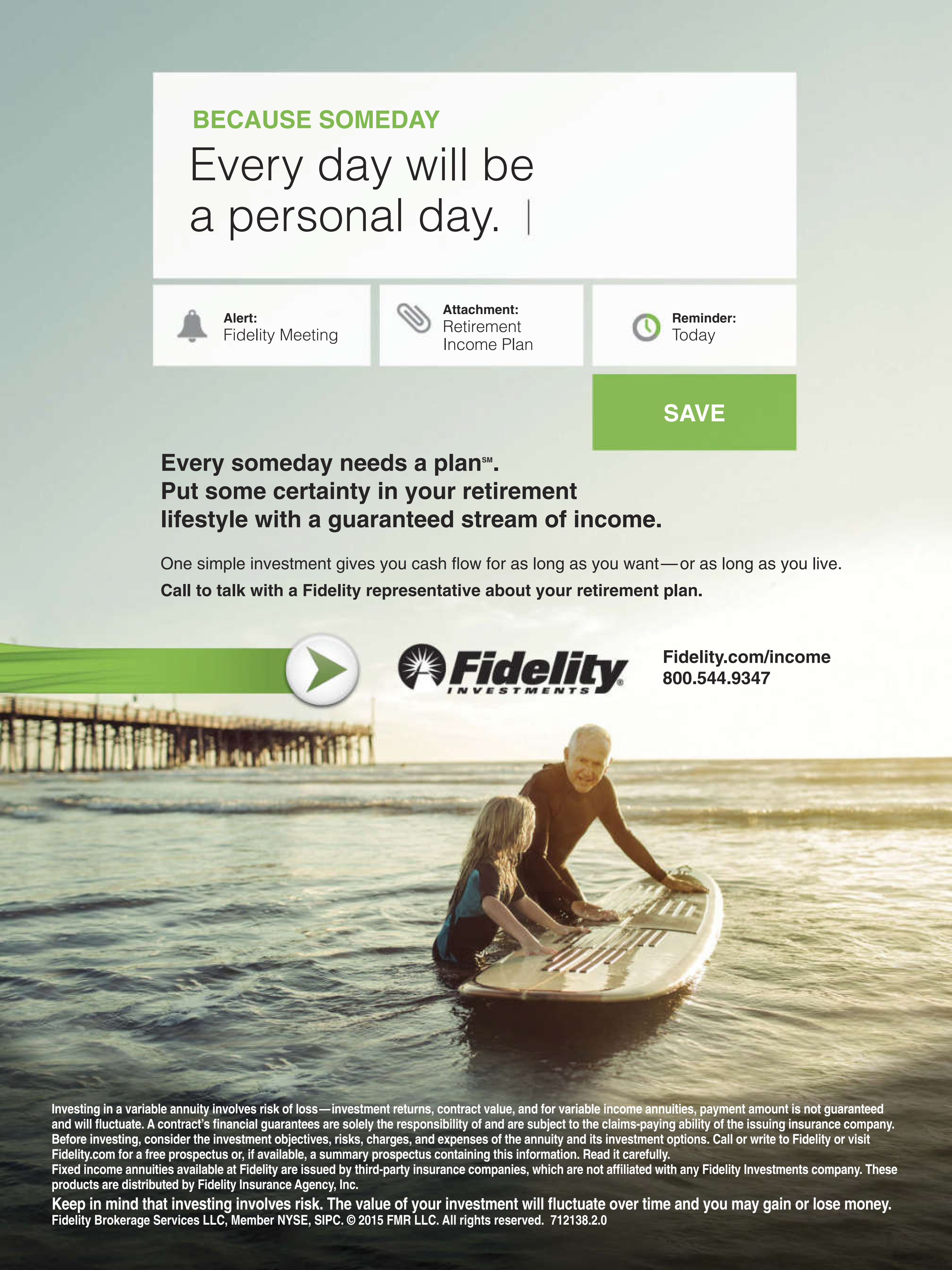
7 Cash-Rich Stocks to Buy Now p 42

Kiplinger's
PERSONAL FINAN
EY
RT
NG

THE BEST LIST

STOCKS
CREDIT CARDS
BANKS
PHONE PLANS
AND MUCH MORE!

DECEMBER 2015


BECAUSE SOMEDAY
Every day will be a personal day.
Alert: Fidelity Meeting
Attachment: Retirement Income Plan
Reminder: Today
SAVE
Every someday needs a plan℠.
Put some certainty in your retirement lifestyle with a guaranteed stream of income.
One simple investment gives you cash flow for as long as you want—or as long as you live.
Call to talk with a Fidelity representative about your retirement plan.
Fidelity INVESTMENTS
Fidelity.com/income
800.544.9347
Investing in a variable annuity involves risk of loss—investment returns, contract value, and for variable income annuities, payment amount is not guaranteed and will fluctuate. A contract's financial guarantees are solely the responsibility of and are subject to the claims-paying ability of the issuing insurance company. Before investing, consider the investment objectives, risks, charges, and expenses of the annuity and its investment options. Call or write to Fidelity or visit Fidelity.com for a free prospectus or, if available, a summary prospectus containing this information. Read it carefully.
Fixed income annuities available at Fidelity are issued by third-party insurance companies, which are not affiliated with any Fidelity Investments company. These products are distributed by Fidelity Insurance Agency, Inc.
Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.
Fidelity Brokerage Services LLC, Member NYSE, SIPC. © 2015 FMR LLC. All rights reserved. 712138.2.0

CONTENTS

KIPLINGER'S PERSONAL FINANCE // FOUNDED 1947

VOL. 69 NO. 12

POON WATCHARA-AMPHAIWAN

IN EVERY ISSUE

AHEAD

MONEY

INVESTING

LIVING // COVER

ON THE COVER: Typography by Jeff Rogers


Done Perfectly
Brand New Paddlewheeler in 2016
EXERCISE
Exercise area with a stunning view of the river
TEA SERVICE
Complimentary tea service every afternoon in the Sky Lounge
RELAX
Open sun decks give you plenty of space to relax
STATEROOMS
The most spacious staterooms with private balconies and floor to ceiling sliding glass doors
LOUNGE
Enjoy the view from the Paddlewheel Lounge
MINNEAPOLIS/ ST. PAUL
RED WING
WISCONSIN
MINNESOTA
WINONA
LA CROSSE
Mississippi River
DUBUQUE
IOWA
DAVENPORT
BURLINGTON
HANNIBAL
ILLINOIS
ALTON
Missouri River
ST. LOUIS
MISSOURI
Ohio R.
CAPE GIRARDEAU
COLUMBUS
PADUCAH
NEW MADRID
TENNESSEE
MEMPHIS
HELENA
TUNICA
ARKANSAS
GREENVILLE
Mississippi River
MISSISSIPPI
VICKSBURG
NATCHEZ
ST. FRANCISVILLE
BATON ROUGE
LOUISIANA
OAK ALLEY
NEW ORLEANS
Toll-Free 1-888-240-4951
Reservations office open 7 days a week
AMERICAN CRUISE LINES®

Holiday Tipping Quiz

How much should you tip your hair stylist? Your child's day-care provider? Your personal trainer? Show the proper appreciation for a year's worth of good service.

▶ kiplinger.com/links/holidaytipping

Kiplinger's Economic Outlooks
Stay ahead with exclusive forecasts of inflation, GDP, jobs and more.

▶ **kiplinger.com/outlooks**

Best Languages for Your Career
Learn to speak the languages hiring managers most want to hear.

▶ **kiplinger.com/links/languages**

TOP 5 COLLEGE FEATURES

1. Worst College Majors for Your Career
▶ **kiplinger.com/links/worstmajors**
2. Best College Majors for Your Career
▶ **kiplinger.com/links/bestmajors**
3. 10 Best College Values, 2015
▶ **kiplinger.com/links/bestcolleges**
4. See All 300 Top College Values, 2015
▶ **kiplinger.com/links/colleges**
5. Best College Values Under $20K/Year
▶ **kiplinger.com/links/colleges20k**

QUIZ YOURSELF
Make Sense of Medicare

See how well you understand the rules for enrollment and coverage.

▶ **kiplinger.com/links/medicarequiz**

TOOL
Kiplinger Tax Map

Compare state taxes on your income, property and everything you buy.

▶ **kiplinger.com/links/taxmap**

ONLINE STORE
Super-Smart Gifts!

Buy *Kiplinger's Personal Finance* and other publications for family members, colleagues, clients and customers. Let them know you're watching out for their financial well-being all year long.

▶ **kiplinger.com/go/gift**

INTERACT

BUY EMERGING MARKETS NOW?
Columnist Steve Goldberg explains why he's bullish on developing economies these days. Plus, EM mutual funds to buy now.

kiplinger.com/links/emerging

STEVE GOLDBERG
@Kiplinger

Live Chats

JUMP-START YOUR RETIREMENT PLAN
Mark your calendars for our next free live chat, on December 10, 9 A.M. to 5 P.M. Get free retirement-planning guidance from trusted advisers.

LIVE CHAT
live.kiplinger.com

THE FED'S RATE INCREASE AND YOU
Find out what an interest-rate hike means for loans, savings and your portfolio. We've got a surprising outlook for stocks.

kiplinger.com/links/ratehike

DAVID PAYNE
@KipLetter

FROM TOP: ISTOCKPHOTO.COM(3); LISE METZGER(2)

connect with us
Twitter
Facebook
LinkedIn
Tumblr

HOW TO REACH US: *Subscriptions.* For inquiries about ordering, billing or renewing a subscription, or to report address changes, please have your mailing label handy to reference your account number and visit us online at kiplinger.com/customerservice or call 800-544-0155, Monday through Friday between 7 A.M. and midnight, Saturday between 8:30 A.M. and 7 P.M., and Sunday between 10:30 A.M. and 7 P.M. You can also write to Kiplinger's Personal Finance, P.O. Box 62300, Tampa, FL 33662, or e-mail us (personalfinance@customersvc.com). *Reprints.* PARS International Corp. (212-221-9595, ext. 237; e-mail, jennifer.eclipse@parsintl.com). *Content licensing.* E-mail licensing@kiplinger.com. *Mailing lists.* From time to time we make our subscriber list available to carefully screened companies whose products may be of interest to you. If you would rather not receive such solicitations, send your mailing label to P.O. Box 62300, Tampa, FL 33662 and instruct us to exclude your name.

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

1. **PUBLICATION TITLE:** Kiplinger's Personal Finance
2. **PUBLICATION NO.:** 5817-30
3. **FILING DATE:** September 30, 2015
4. **ISSUE FREQUENCY:** Monthly
5. **NO. OF ISSUES PUBLISHED ANNUALLY:** 12
6. **ANNUAL SUBSCRIPTION PRICE:** $23.95
7. **ADDRESS OF KNOWN OFFICE OF PUBLICATION:** 1100 13th St., NW, Suite 750, Washington, DC 20005
8. **ADDRESS OF THE HEADQUARTERS OR GENERAL BUSINESS OFFICES OF PUBLISHER:** 1100 13th St., NW, Suite 750, Washington, DC 20005
9. **NAMES AND ADDRESSES OF PUBLISHER, EDITOR AND MANAGING EDITOR:**
   PUBLISHER: Knight Kiplinger, Washington, DC
   EDITOR: Janet Bodnar, Washington, DC
   MANAGING EDITOR: Barbara Hoch Marcus, Washington, DC
10. **OWNER:** The Kiplinger Washington Editors Inc., 1100 13th St., NW, Suite 750, Washington, DC 20005
    NAMES AND ADDRESSES OF STOCKHOLDERS OWNING OR HOLDING 1% OR MORE OF THE TOTAL AMOUNT OF STOCK: Knight A. Kiplinger, Washington, DC; Marital Trust Under Will of Todd L. Kiplinger, Washington, DC; Class A Voting Stock Trust, Knight A. Kiplinger Trustee, Washington, DC; Dana S. Kiplinger, Bethesda, MD; John & Jane Wilson Living Trust - Family Trust, Dallas, TX; Ann M. Kiplinger, Washington, DC; The Cameron Todd Kiplinger Revocable Trust, Dated May 27, 2009, Bethesda, MD; John & Jane Wilson Living Trust - Marital Trust 1, Dallas, TX; Austin H. Kiplinger Living Trust, Washington, DC; Daphne Kiplinger, Washington, DC; Brigham C. Kiplinger, Washington, DC; Sutton Kiplinger, Massachusetts; A. Rawleigh Morse, Connecticut; Dana Tyler Taylor, Connecticut; Trust for Cameron Todd Kiplinger U/W of Todd L. Kiplinger, Washington, DC
11. **KNOWN BONDHOLDERS, MORTGAGEES AND OTHER SECURITY HOLDERS OWNING OR HOLDING 1% OR MORE OF TOTAL AMOUNT OF BONDS, MORTGAGES OR OTHER SECURITIES:** None
12. **NOT APPLICABLE**
13. **PUBLICATION TITLE:** Kiplinger's Personal Finance
14. **ISSUE DATE FOR CIRCULATION DATA BELOW:** September 2015
15. **EXTENT AND NATURE OF CIRCULATION:**

Average no. of copies each issue during preceding 12 mos.

A. TOTAL NO. OF COPIES (NET PRESS RUN):	689,334
B. PAID CIRCULATION (BY MAIL AND OUTSIDE THE MAIL):	
1. MAILED OUTSIDE-COUNTY SUBSCRIPTIONS:	600,408
3. SALES THROUGH DEALERS AND CARRIERS, STREET VENDORS AND COUNTER SALES (NOT MAILED):	16,005
C. TOTAL PAID DISTRIBUTION:	616,413
D. FREE OR NOMINAL RATE DISTRIBUTION (BY MAIL AND OUTSIDE THE MAIL):	
1. OUTSIDE-COUNTY COPIES:	1,777
E. TOTAL FREE OR NOMINAL RATE DISTRIBUTION:	1,777
F. TOTAL DISTRIBUTION:	618,190
G. COPIES NOT DISTRIBUTED:	71,144
H. TOTAL:	689,334
I. PERCENT PAID:	99.71

Actual no. of copies of single issue published nearest to filing date.

A. TOTAL NO. OF COPIES (NET PRESS RUN):	695,315
B. PAID CIRCULATION (BY MAIL AND OUTSIDE THE MAIL):	
1. MAILED OUTSIDE-COUNTY SUBSCRIPTIONS:	603,979
3. SALES THROUGH DEALERS AND CARRIERS, STREET VENDORS AND COUNTER SALES (NOT MAILED):	17,000
C. TOTAL PAID DISTRIBUTION:	620,979
D. FREE OR NOMINAL RATE DISTRIBUTION (BY MAIL AND OUTSIDE THE MAIL):	
1. OUTSIDE-COUNTY COPIES:	1,760
E. TOTAL FREE OR NOMINAL RATE DISTRIBUTION:	1,760
F. TOTAL DISTRIBUTION:	622,739
G. COPIES NOT DISTRIBUTED:	72,576
H. TOTAL:	695,315
I. PERCENT PAID:	99.72

I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).

DENISE ELLIOTT, Senior Vice-President and Chief Operating Officer
The Kiplinger Washington Editors Inc.

Kiplinger's PERSONAL FINANCE
MONEY SMART LIVING

EDITORIAL
EDITOR IN CHIEF **Knight A. Kiplinger**
EDITOR **Janet Bodnar**
EXECUTIVE EDITOR **Manuel Schiffres** SENIOR EDITOR, MONEY/LIVING **Mark K. Solheim**
MANAGING EDITOR **Barbara Hoch Marcus**
SENIOR EDITORS **Jane Bennett Clark, Jeffrey R. Kosnett, Anne Kates Smith**
SENIOR ASSOCIATE EDITORS **Sandra Block, Nellie S. Huang, Marc A. Wojno (research)**
ASSOCIATE EDITORS **Patricia Mertz Esswein, Daren Fonda**
STAFF WRITERS **Miriam Cross, Kaitlin Pitsker**
CONTRIBUTING EDITORS **Carolyn Bigda, Lisa Gerstner, James K. Glassman, Kathy Kristof, Kimberly Lankford, Jeremy J. Siegel**
OFFICE MANAGER **Glen Mayers**

COPY AND RESEARCH
COPY CHIEF **Frederic Fane Wolfer**
COPY EDITORS **Rachel McVearry, Denise E. Mitchell, Elizabeth Whitehouse**
REPORTERS **Lisa Elaine Babb, Varsha Bansal, Ryan Ermey, Dandan Zou**

ART
ART DIRECTOR **Stacie A. Harrison**
PHOTOGRAPHY DIRECTOR **Wendy Tiefenbacher**
DESIGNER **Yajaira A. Lockhart** DESIGN AND PHOTOGRAPHY ASSISTANT **Natalie F. Kress**
EDITORIAL PRODUCTION MANAGER **Kevin Childers**
EDITORIAL/DESIGN CONSULTANT **Michael Grossman**

KIPLINGER.COM
DIRECTOR, NEW MEDIA **Douglas Harbrecht**
ONLINE MANAGING EDITOR **Robert J.M. Long** EXECUTIVE EDITOR **Michael DeSenne**
ONLINE EDITORS **Andrea Browne, David Muhlbaum, Rachel L. Sheedy**
ONLINE CONTRIBUTING EDITOR **Stacy Rapacon**
ONLINE BUSINESS DEVELOPMENT MANAGER **Phil Hawken**
BUSINESS DEVELOPMENT ASSOCIATE **Brian Stoughton**
DIGITAL PRODUCT AND DESIGN MANAGER **Jenny Cohan**
ONLINE COMMUNITY EDITOR **Rebecca Dolan**
WEB OPERATIONS MANAGER **Wade Currie**
SENIOR WEB DEVELOPERS **David Kuchler, David Webster**
WEB DEVELOPER **Erhan M. Uyar**

PUBLISHING
SENIOR CIRCULATION MANAGER **Roseann Ciccarello**
DIRECTOR, SINGLE-COPY SALES **Wayne Beder** PRODUCTION DIRECTOR **Carolyn R. Segree**

ADVERTISING SALES
NATIONAL SALES DIRECTOR **Mark E. Taussig**

PRINT SALES
ASSOCIATE PUBLISHER/ADVERTISING AND CUSTOM CONTENT **Paul Vizza**
ATLANTA **Kristina Larson (516-932-0795)** CHICAGO **Mark E. Taussig (202-887-6528)**
DALLAS **Phil Ganz (972-991-4994)** DETROIT **Mark E. Taussig (202-887-6528)**
NEW YORK **Kristina Larson (516-932-0795), Jonathan Stone (203-257-0234)**
WASHINGTON, DC **Paul Vizza (202-887-6558)**
WEST COAST **Kristina Larson (516-932-0795), Jonathan Stone (203-257-0234)**
DIRECT RESPONSE **Anthony Smyth (914-409-4202)**
MARKETING DIRECTOR/CREATIVE SERVICES **June Lough (917-421-9046)**
ATLANTA CUSTOM CONTENT **Bill Bentz (404-256-0664)**

ONLINE SALES
NATIONAL ONLINE SALES DIRECTOR **Elizabeth F. Martin**
ADVERTISING OPERATIONS MANAGER **Andy Nolen**
REGIONAL ACCOUNT MANAGERS **Austin Kaytes, Maggie Kinsky, Stephanie Lee**
ONLINE ADVERTISING SALES ASSISTANT **Michael Roche**

THE KIPLINGER WASHINGTON EDITORS INC.
1100 13th St., N.W., Suite 750, Washington, DC 20005 (202-887-6400)
W.M. Kiplinger (1891–1967), Founder
CHAIRMAN EMERITUS **Austin H. Kiplinger**
CHAIRMAN, PRESIDENT AND PUBLISHER **Knight A. Kiplinger**
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER **Corbin M. Wilkes**
SENIOR VICE-PRESIDENT AND CHIEF OPERATING OFFICER **Denise M. Elliott**
SENIOR VICE-PRESIDENT AND CHIEF CONTENT OFFICER **Kevin McCormally**
SUBSCRIBER SERVICES **800-544-0155**

Please Recycle This Magazine

PRINTED IN USA

KIPLINGER'S PERSONAL FINANCE (ISSN 1528-9729) is published monthly by THE KIPLINGER WASHINGTON EDITORS INC. Editorial & Executive Offices: 1100 13th St., N.W., Suite 750, Washington, DC 20005 (202-887-6400). Subscription Center/Customer Service: Visit us online at kiplinger.com/customerservice, call 800-544-0155, or e-mail PersonalFinance@customersvc.com. POSTMASTER: Send change of address to: Kiplinger's Personal Finance, P.O. Box 62300, Tampa, FL 33662. GST# 123395253. Volume 69, Issue 12. Periodical postage paid at Washington, DC, and at additional mailing offices. Subscription prices: In U.S. and possessions $23.95 for one year, $39.95 for two years, $54.95 for three years. Additional international postage: $17.00 per year. Single-copy price: $4.99.

Janet Bodnar

FROM THE EDITOR

A Few of Our Favorite Things

My nominee for our annual "best list" is the staff of our magazine. With their breadth of knowledge and depth of expertise, they're second to none in giving readers savvy and timely financial advice. At no time is that more impressive than when we compile our list of favorites among financial products and services, gadgets and what have you—everything from stocks and mutual funds to phone plans, cars and cruises (see page 60). When we put out the annual call for ideas, we're usually overwhelmed. As a bonus this year, I asked our staff for some of the go-to resources they use in their work or find personally valuable that they can recommend for you, too.

For readers in search of higher returns on their savings, contributing editor Lisa Gerstner, our expert on banking and credit, nominates Deposit Accounts.com. "It's my source for finding the highest interest rates on checking accounts, savings accounts and CDs," says Lisa. "It includes rate information for both banks and credit unions, and you can filter for accounts that are available locally or nationally."

In the market for a new home? Associate editor Pat Mertz Esswein, who covers housing, recommends that you consider hiring a member of the National Association of Exclusive Buyer Agents (www.naeba.org), who represent only buyers and don't list homes for sale. "They are fonts of well-grounded, strategic advice and among my best sources," says Pat.

On the other side of the housing transaction, Pat suggests that home sellers who want to save on agents' sales commissions visit www.owners.com. For a flat fee, you can purchase an à la carte package of services—from preparing a for-sale listing to negotiating an offer and closing the deal—and choose which parts of the process you'd prefer to handle on your own.

Staff writer Miriam Cross opens "The Billfold" (www.thebillfold.com) to draw inspiration from personal essays about money—everything from how someone financed a dream vacation to why a writer's expensive trapeze hobby is worth the money. "The stories are honest, relatable and nonjudgmental," says Miriam.

If you're considering a job switch, reporter Ryan Ermey recommends "Ask a Manager" (www.askamanager.org), "an engaging career blog that offers straightforward advice."

And when she gets a free minute, Lisa heads to Travelzoo (www.travelzoo.com) to find deals on vacation packages. "I eagerly await Travelzoo's 'Top 20' e-mail every Wednesday," she says. "Even if I'm not planning a vacation, it's fun to daydream about the next trip."

Roths rock. When it comes to best retirement plans, Roth IRAs win top honors. As senior associate editor Sandy Block writes in her story on page 34, a Roth "comes pretty close to being a free lunch"—a tax-free source of retirement income that you can pass on to your heirs tax-free if you don't need the money.

"I asked our staff to recommend the go-to resources they use in their work."

If your income is too high to qualify for a Roth, you can contribute to its fraternal twin, the Roth 401(k), if your employer offers one. I am surprised by how few people use this option. Among Wells Fargo's clients, for example, 38% of plan sponsors offer a Roth 401(k), but only 12% of eligible plan participants take advantage of one. Roth contributions are after-tax, so it may be that employees prefer the ability to deduct contributions to a traditional 401(k) or that they simply don't have the cash flow to fund a Roth. But if you can swing it, kick in at least a portion of your 401(k) contributions to a Roth. That's what I did when Kiplinger introduced a Roth 401(k), and having tax-free money to go along with my traditional 401(k) when I retire will give me the best of both worlds. ■

Janet Bodnar

JANET BODNAR, EDITOR
FOLLOW JANET'S UPDATES AT WWW.TWITTER.COM/JANETBODNAR.

LISE METZGER

What Women Want

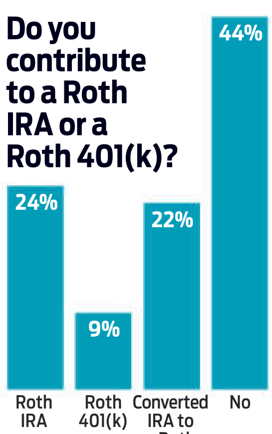
Women's financial lives are affected by more circumstances than the ones Janet Bodnar cites in her column ("From the Editor," Oct.). Often, women not only earn less than their male counterparts for similar jobs but also fare worse financially in retirement. With those demographics, we certainly need good advice on saving for and spending in retirement. As a single woman (now 62), I would like to see more frequent useful advice for my situation.

Ruth E. Simon
Ashtabula, Ohio

Editor's note: *We've heard you (and others). Look for more stories on financial issues of particular interest to women.*

Q READER POLL

Do you contribute to a Roth IRA or a Roth 401(k)?



To learn more about Roth accounts, turn to page 34.

Greek tragedy. As Jeremy Siegel points out, the Allies forgave part of Germany's war debt in 1953 ("Going Long," Oct.). But that does not mean the Greeks can use that precedent to demand debt forgiveness. The war debt was not money that the Germans borrowed—it was reparations levied on the defeated country by the victors. The Greek debt was money earned in many European Union nations but spent by the Greek government and people.

Nancy Melia
Duxbury, Mass.

PMI surprise. I was under the impression that a lender must cancel private mortgage insurance when the loan-to-value ratio reaches 78% ("Your Mortgage Problems Solved," Oct.). So I was surprised when my bank explained that PMI would automatically terminate only on the date the loan was originally scheduled to reach the 78% LTV, regardless of any prepayment. However, if I paid down my loan to 78% *and* paid another $500 for an appraisal, I could eliminate the PMI. I promptly refinanced at a lower interest rate and without closing costs.

Erik Arveson
Appleton, Wis.

The joys of RVing. The experience of RVing is so much more than trading a hotel room for a rolling residence ("Renting the RV Life," Oct.). Waking up a few steps from the lake with a front-row seat for the sunrise, enjoying the smell of bacon and coffee wafting through the campground, and relishing stories and the sticky pleasure of s'mores around the campfire are memories that will stay with you forever.

Mary Hornung
Shokan, N.Y.

ONLINE CHATTER

Our take on Fidelity's funds in 401(k) plans sparked this discussion ("Fidelity's Best 401(k) Funds," Oct.):

"I am 74 years old and I have been with Fidelity since 1981. During that time, I built $89 into $2.3 million. Most years, I beat the market and the experts. Go Fidelity."

"How in good conscience can Kiplinger recommend any actively managed mutual fund, given that no fund manager can reliably beat index fund performance, particularly after extracting the hefty management fee?"

CLARIFICATION. *The 1.11% annual yield on an EverBank savings account is a promotional rate for first-time clients for the first year ("Yields and Rates," Oct.).*

› LETTERS TO THE EDITOR

Letters to the editor may be edited for clarity and space, and initials will be used on request only if you include your name. Mail to Letters Editor, Kiplinger's Personal Finance, 1100 13th St., N.W., Washington, DC 20005, fax to 202-778-8976 or e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

SOURCE: POLL SURVEYED 289 *KIPLINGER'S* READERS.

Explore the Culture of

Cuba

10-Night Cultural Voyages

Journey to Cuba in 2016 with Pearl Seas Cruises on an 11-day immersive people to people experience focused on the history, heritage, and contemporary life of the Cuban people. The brand new 210-passenger luxury *Pearl Mist* allows access to more of Cuba's ports and regions, while providing a relaxed means to interact with Cubans and explore the rich fabric of Cuban culture. These cultural voyages are subject to final government approvals.

Pearl Seas Cruises®

Call for a free brochure

1-888-610-6945

www.pearlseascruises.com

Canadian Maritimes • New England • Great Lakes
Panama Canal • Central America • Cuba

THE PROJECT TWINS

TOPIC A

CARD ISSUERS SHIFT GEARS ON PERKS

Roadside and travel aid are out. ID theft protection is in.

BY LISA GERSTNER

BEFORE YOU PACK FOR A trip or set foot in a mall over the holidays, take a close look at the benefits that come with your credit cards. Many issuers are shuffling the lineup of perks they offer to customers.

Discover has dropped several travel-related benefits from its suite of perks for cardholders, including travel assistance, emergency roadside assistance, travel and baggage-delay insurance, and lost-luggage insurance. Sears MasterCard removed the collision damage waiver for rental vehicles, insurance that many cards supply to cover bills for damage to a rental car. Travel assistance, roadside assistance and purchase assurance (insurance for damaged or stolen items bought with the card) also disappeared—and Bank of America is discontinuing the same three benefits on its MasterCard Better Balance Rewards cards.

Many changes are in response to 2014 alterations to the core benefits that come with all standard, gold and platinum cards carrying the MasterCard logo, says Edgar Dworsky, founder of ConsumerWorld.org, a consumer-resource site. That means more cuts could be coming as banks evaluate their offerings. Watch for letters from your card issuer notifying you of revisions.

At the same time, card issuers are adding or refreshing other benefits that you may find more appealing. At a time when data breaches dominate headlines, MasterCard includes assistance for identity-theft victims among its core benefits, and Discover provides the ability to freeze and unfreeze your account online or through an app, in case you lose your card. Several issuers, including Barclaycard, Citibank, Discover and Pentagon Federal Credit Union, provide free FICO credit scores to at least some cardholders. Wells Fargo offers up to $600 in coverage for cell-phone damage or theft if you pay your wireless bills with one of its cards.

The tantalizing cash-back and miles offers that issuers

dangle to attract customers in a competitive rewards-card market are replacing less-popular benefits, says Matt Schulz, senior industry analyst for CreditCards.com. New customers who open a Discover It card by the end of 2015 get double cash back after a year.

Regularly review the perks that come with your cards, even if it's just once a year. "You may find that you're using the wrong card for certain benefits or missing out on a valuable benefit you didn't realize you had," says Gerri Detweiler, director of consumer education for Credit.com. In a series of studies on card benefits among major issuers, credit card research site CardHub.com found that cards from Discover and Chase had the strongest price-protection benefits (reimbursement for the difference if you find a lower price on a purchased item). American Express had the best extended-warranty policy, and American Express and Visa had superior car-rental insurance coverage. The Chase Sapphire Preferred card had the best general coverage for travel insurance (see "The Best List," on page 60).

Make sure you understand the ins and outs of each benefit your card offers. Price protection is typically available up to 60 or 90 days after a purchase, for example. Rental-car insurance usually covers only fees that your personal auto insurance policy doesn't, and only if you decline the collision damage waiver that the rental-car agency offers you.

INTERVIEW

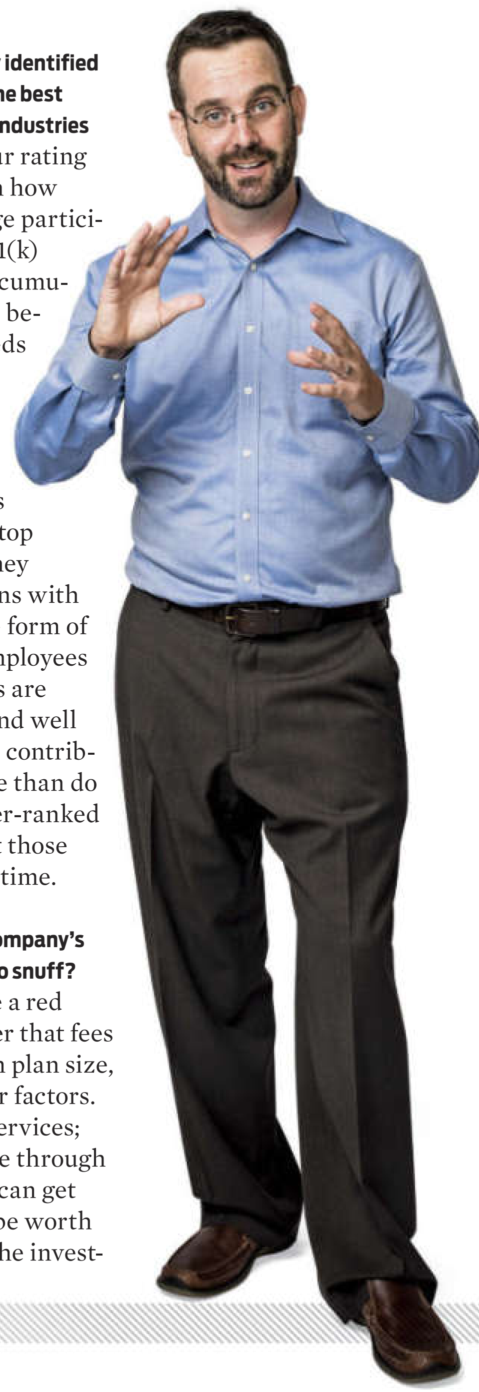
DOES YOUR 401(K) MEASURE UP?

Here's how to see whether your retirement plan is as good as its peers.

Brooks Herman is head of data and research at BrightScope, an independent 401(k) ratings firm.

BrightScope recently identified the industries with the best 401(k) plans. Which industries came out on top? Our rating system is based on how quickly the average participant in a given 401(k) plan is going to accumulate the money we believe someone needs to retire comfortably within his or her industry. Law firms, utilities, mining companies and airlines were top scorers because they typically offer plans with low fees and some form of profit-sharing. Employees in these industries are highly educated and well paid. They tend to contribute at a higher rate than do employees in lower-ranked plans, and they let those dollars grow over time.

How can I tell if my company's 401(k) plan isn't up to snuff? High plan fees are a red flag. But remember that fees vary depending on plan size, industry and other factors. And fees pay for services; a 24-hour help line through which employees can get great advice may be worth the money. Also, the investment menu should meet your needs. If you're nearing retirement, for example, make sure there are investment options that will get you there securely—for instance, a low-volatility fixed-income investment such as a stable-value fund.



DAVE LAURIDSEN

Haven't people sued their employers for offering funds in expensive share classes? The onus is on the company to provide the best plan possible. But if you work for a small company, expensive share classes may be all that your plan provider can afford. The smaller the value of the assets, the more you pay in fees.

What recourse do you have if you're not happy with your plan? Search for your company plan on BrightScope.com and compare the plan's price and performance with those of similarly sized companies in the same industry. If your plan doesn't measure up, present your concerns to the plan sponsor, usually someone in the human resources department. He or she has the legal duty to manage the plan responsibly, but might not even know that the plan is problematic.

What if everything is aboveboard, but your plan still stinks? Do the math and determine whether it's worth it to be part of the plan. Investing enough to get an employee match, for instance, probably is. If investing beyond that amount isn't worth it, consider an IRA. You can't contribute as much as you can to a 401(k), but you still get the power of tax-deferred compound growth. That's a big win. **RYAN ERMEY**


“ Work with someone who isn’t a CFP® pro?
What do I look like, a lunatic? ”
When it comes to your financial future, you can’t just leave it to anyone. But when you choose a Certified Financial Planner™ professional, you’ll know you’re in good hands. That’s because every CFP® pro is thoroughly vetted to uphold the highest standards of education, experience and ethics. It’s confidence and peace of mind you can’t get anywhere else.
CFP
CERTIFIED FINANCIAL PLANNER™
Work with the highest standard. Find your CFP® pro at LETSMAKEAPLAN.ORG

THE BUZZ

PUT IRA PAYOUTS TO WORK

Some would call it a nice problem to have. But for many retirees, it's a problem nonetheless to figure out what to do with required minimum distributions from an IRA when you don't need the money right away but want to preserve some of the IRA's tax advantages. Once you turn 70½, you must take annual distributions based on the value of your account and your life expectancy. Some options to consider:

Reinvest. Municipal bonds or muni bond funds will provide income that's usually exempt from federal taxes and, in some cases, state and local taxes, too.

Give to charity. A law that allowed retirees to transfer up to $100,000 from their IRAs to charity has expired, but Congress may renew it before year-end. The tax-free transfers would count as your RMD.

Pay a grandchild's education costs. Fund a 529 savings account—in some states you'll qualify for a deduction. If you fund an education savings account instead, you won't get an up-front break. But future earnings are tax-free, and the money can be used for college costs or K–12 private school.
SANDRA BLOCK

BEN REISTETTER IS APPLYING FOR AID TO ATTEND COLLEGE IN 2016.

COLLEGE

APPLYING FOR AID GETS EASIER

To fill out the FAFSA, you'll no longer have to estimate your tax information.

BEGINNING NEXT YEAR, applying for financial aid will be less of a hassle. Students and their families will be able to file the Free Application for Federal Student Aid—used to determine financial aid from the government as well as colleges—three months earlier, or as early as October 1, and use completed tax returns to report income and assets.

Under current rules, families often file the FAFSA before completing the tax return required to verify income for the previous year. That's what Ben Reistetter, a senior at St. John's College High School in Washington, D.C., will do as he applies to college and for financial aid this year. But when he and his mom file for the 2017–18 academic year, she'll use her 2015 return to report income and assets.

If your child is currently a high school senior or a college freshman or sophomore, your 2015 income will count twice for aid purposes—first for the 2016–17 academic year, before changes take effect, and again the following year. Taking steps to reduce income before year-end could boost your student's aid award two years in a row. If possible, delay taking distributions from retirement plans or realizing capital gains—the money will count as income on the FAFSA.

The financial aid formula excludes assets in retirement accounts, so consider directing more of your paycheck to your retirement accounts during your FAFSA-filing years. If you plan to use cash to buy a car, renovate your home or even pay down debt, pull the trigger before you file the FAFSA.

You'll still have until June 30 to complete the form, but applying early remains important. Most schools dole out financial aid on a first-come, first-served basis, and money runs out fast. **KAITLIN PITSKER**

EXCERPT FROM
The Kiplinger Letter

HOUSING ON THE UPSWING

We see a bright outlook for housing as it continues its long, slow recovery from the Great Recession. More first-time buyers are coming into the market, which bodes well for future demand. Permits for new construction recently hit a seven-year high. Building still has a way to go before it catches up with the normal pace of the late 1990s and early 2000s. But sales of existing homes, which make up most of the market, look healthy again. (www.kiplingerbiz.com/ahead/bright)

POON WATCHARA-AMPHAIWAN

INSURANCE

THE DOWNSIDE OF CHEAPER GAS

More driving means more accidents and higher auto insurance premiums.

WITH GAS PRICES DOWN BY more than $1 per gallon in the past year, Americans collectively are spending $350 million a day less at the gas pump than they were a year ago, says the American Automobile Association. But the drop in gas prices, along with a stronger economy, has led to more driving—and more accidents. And that's adding up to higher insurance costs.

Through the first seven months of 2015, U.S. drivers put a record 1.8 trillion miles on the road, says the Federal Highway Administration. The National Safety Council estimates a 10% increase in traffic fatalities over that time compared with a year ago. Geico and Allstate have already reported an increase in the frequency and severity of claims, and both have announced that they are hiking rates. Morningstar analyst Brett Horn expects other insurers to follow suit.

It might pay to reshop your policy *and* to drive as if gas were still expensive. When it is, drivers tend to accelerate and brake gradually and maintain a steady speed to save gas, says Pennsylvania State University professor Guangqing Chi, who has studied the correlation. That's a good way to keep your record clean and your rates low.

DANDAN ZOU

MONEY & ETHICS // KNIGHT KIPLINGER

"Do we owe students two free years of college?"

Q **My friend and I disagree about the proposal for universal free tuition for two years of community college—the ethics, cost and benefit to society. How do you view it?**

A First of all, let's not call this proposed program "free." It might not cost the students anything, but it wouldn't be free to the taxpayers who would fund it.

As for the ethics of it: Remember that every new governmental entitlement ever proposed—whether it was universal public elementary and secondary schooling in the 19th century, Social Security (funded by a tax on employers and workers), or "free" health care for the poor (Medicaid)—was promoted as an ethical imperative for a compassionate society. An ethical case, however valid or lame, can be made for virtually every governmental expenditure.

Let's focus instead on whether this would be a cost-effective way to improve the capability of the American workforce, which is an important goal in a competitive global economy. Well, at an estimated cost of $60 billion over 10 years, maybe it would be—but maybe not.

First, it needn't be a new *federal* entitlement. The states—which, sadly, have been cutting their commitment to their public colleges—could do this their own way, as Tennessee and Oregon already have and more states are contemplating. So could counties and cities, which operate most community colleges. (Chicago started its two-years-free program last year.)

Perhaps community colleges should focus on reducing their very high dropout rates rather than filling their classrooms with even more high school graduates. And a smoother transfer path to public four-year colleges is needed, too.

The federal government's Pell Grant program already makes two years of community college virtually free to poor students, and it could be enlarged to benefit middle-class students as well.

Young Americans definitely need post-secondary training of some sort—if not at a four-year college, then at a vocational/technical school, community college or apprenticeship—to earn a decent living. Using taxpayer funds to help them do so would be money well spent. The challenge is figuring out how to do it most sensibly.

HAVE A MONEY-AND-ETHICS QUESTION YOU'D LIKE ANSWERED IN THIS COLUMN? WRITE TO EDITOR IN CHIEF KNIGHT KIPLINGER AT ETHICS@KIPLINGER.COM.

LISE METZGER

CALENDAR 12/2015

TUESDAY, DECEMBER 1

The toy topping this year's holiday wish lists is BB-8, a new droid from the upcoming *Star Wars* film. A replica from Sphero that you can control from your smartphone or tablet costs $150. The kid-friendlier version from Hasbro costs $80 and comes with an old-school remote.

SATURDAY, DECEMBER 5

Imbibe with friends on Repeal Day. Bars across the country will celebrate the anniversary of Prohibition's end with specials on everything from craft beer to classic cocktails.

TUESDAY, DECEMBER 15

The Federal Open Market Committee meets to discuss interest rates. Kiplinger still predicts that the Fed will raise interest rates this year. In the meantime, expect markets to remain volatile.

FRIDAY, DECEMBER 18

Roughly 1,000 retailers participating in Free Shipping Day will offer free guaranteed shipping by Christmas Eve with no order minimums. For details and more tips on holiday shopping, see "Lowdown," on page 70.

THURSDAY, DECEMBER 31

If you got a year-end bonus, consider a charitable donation. Charge it to your credit card, and claim a deduction for 2015 even though you won't pay the bill until 2016. **RYAN ERMEY**

DEAL OF THE MONTH

December is the best month to get a deal on a new car. Customers can expect to save, on average, 7.5% off the sticker price, the biggest savings of any month, according to automotive-data company TrueCar.

COURTESY SPHERO; ISTOCKPHOTO.COM (2)

JAMES K. GLASSMAN > Opening Shot

Mimic the Investing Masters

Unfortunately, no single formula for selecting investments is guaranteed to beat the market averages. Life isn't that easy. Still, over the past several decades, a few superb stock pickers have emerged. Nearly all of them have left paper trails, in the form of books and portfolios, and those trails are worth following.

Consider Benjamin Graham, coauthor of the classic 1934 text *Security Analysis* and author of *The Intelligent Investor,* a more readable book that was first published in 1949 and has been updated many times. Graham was a highly successful investor and the mentor of Warren Buffett, among others. Graham rejected stocks with high price-earnings ratios and demanded a "margin of safety" before he invested. Graham, who died in 1976, tried to find companies priced far below their intrinsic, or true, value (as he defined it).

Not even Buffett follows Graham's extreme value strategy, but you can. The trick is to find companies with low P/Es and low ratios of price to book value (P/B), or net worth, on the balance sheet. Book value is not quite the same thing as Graham's concept of intrinsic value, but it's close enough.

A good example of a Graham stock is **WESCO AIRCRAFT HOLDINGS (SYMBOL WAIR)**, a small company that provides supply-chain management services to the aerospace industry, making sure planes have the parts they need (stocks and funds I recommend are in boldface). Wesco's P/E, based on analysts' average earnings estimates for the year that ends in September 2016, is just 11, compared with 15 for Standard & Poor's 500-stock index. And Wesco's P/B is a mere 1.1, only 10% greater than its balance-sheet value. The S&P 500's P/B is 2.7. (Go to http://finance.yahoo.com to get P/Es and P/Bs for individual stocks; look under "Key Statistics.")

Wesco is also a component of the Graham portfolio devised by John Reese, a money manager who founded a Web site called Validea.com and runs a newsletter called *The Guru Investor*. I first wrote about Reese 12 years ago. At the time, he had just launched a software program, Validea, that attempted to imitate the investing styles of a dozen investing gurus, including Graham.

These are unofficial portfolios, based on the writings and actions of managers who played no part in their composition (and some, like Graham, who are not even alive). But according to Reese's data, a portfolio of stocks Graham might have favored, constructed using Validea's software, has returned an impressive 10.4% annualized from its inception on July 15, 2003, through September 30, compared with just 5.5% annualized for the S&P 500.

"A portfolio of stocks Benjamin Graham might have favored returned an impressive 10.4% a year since its inception."

Focus on sales. Among Validea's top-performing guru portfolios is one based on the style of Ken Fisher, a California money manager and author of *100 Minds That Made the Market* (1993) and several other books. Fisher is fond of stocks with a low ratio of price to sales (P/S), a more consistent valuation indicator, he believes, than P/E. Validea's Fisher portfolio has returned an annualized 8.5% since 2003, or 3 points more than the return of the S&P 500. Recent additions to the portfolio include **MUELLER INDUSTRIES (MLI)**, a Memphis maker of heating and air-conditioning equipment. Mueller has a P/S, based on the previous 12 months' revenues, of just 0.75; a ratio of less than 1.0 can indicate a potential bargain.

Another guru, James O'Shaughnessy, is the author of one of my favorite investing books, *What Works on Wall Street*. O'Shaughnessy looked at decades of data and concluded that the best strategy combines elements of value and growth: a low P/S plus consistent earnings growth over five years and strong price performance over the previous 12 months. The notion of finding companies with strong business performance whose stocks have performed well recently but are still cheap makes a good deal of sense. The record of Validea's

LISE METZGER

"The easiest strategy to mimic is Warren Buffett's. All you have to do is buy shares of Berkshire Hathaway."

O'Shaughnessy portfolio is stellar: an annualized return of 7.4% since its inception in 2003, or an average of 1.9 percentage points more than the S&P over the same period. Among recent additions to the portfolio is a favorite of mine, **CRACKER BARREL OLD COUNTRY STORE (CBRL)**, the restaurant and gift-shop chain. Its P/S is 1.2.

O'Shaughnessy himself manages several funds that put his strategy into practice, most notably O'Shaughnessy All Cap Core A (OFAAX), with an annualized return of 12.2% over the past five years, an average of 1.2 percentage points per year behind the S&P 500. I don't recommend All Cap Core because it levies a 5.25% sales charge, but I like its strategy. Its top holdings include **HOME DEPOT (HD)** and insurer **TRAVELERS COS. (TRV)**.

Validea Capital Markets, which manages money for institutions and wealthy individuals, late last year launched an exchange-traded fund called **VALIDEA MARKET LEGENDS ETF (VALX)**. The fund holds stocks from each of 10 Validea portfolios. Its top holdings as of September 30 were **LENDING TREE (TREE)**, the online mortgage marketplace, tied with Bofi Holding (BOFI), a San Diego–based bank, followed by Abiomed (ABMD), a maker of medical devices. In the first nine months of 2015, the ETF surrendered 9.2%, trailing the S&P 500 by 3.9 percentage points.

I think the Validea ETF will turn out to be a solid long-term performer, but my guess is that because of the wide variety of styles represented in the portfolio, the fund will produce returns close to those of the S&P 500. More adventurous investors should settle on a single strategy.

The easiest one to mimic is Buffett's. All you have to do is buy shares of **BERKSHIRE HATHAWAY (BRK-B)**, his holding company, which owns some private companies outright (for example, insurer Geico and BNSF Railway) and others in part. You can find Berkshire's publicly traded holdings—45 of them—at www.cnbc.com/berkshire-hathaway-portfolio. Berkshire owns multibillion-dollar chunks of such household names as **AMERICAN EXPRESS (AXP)**, **PROCTER & GAMBLE (PG)** and **WELLS FARGO (WFC)**. It also has stakes in less-well-known stocks, such as **CHICAGO BRIDGE & IRON (CBI)**, a Netherlands-based construction and engineering firm.

Buffett is more willing than Graham was to forsake a margin of safety to own companies that generate powerful cash flow. Validea's Web site calls Buffett's strategy "Patient Investor." He buys nothing with the intention of selling it. He doesn't care about short-term price movements. And he wants a strong brand name that is capable of producing long-term growth. Buffett started Berkshire in 1964, after buying a failing textile company. Since then, an investment of $10,000 has grown to more than $100 million.

Of course, there are no guarantees that cribbing from the gurus will produce such lovely returns. What these experts teach us for certain is that stocks are excellent investments over the long term, meaning several decades. Buffett wrote in his most recent annual report that stock prices will always be more volatile than cash in the short term. Over the longer term, he added, bonds and cash are "far riskier investments than widely diversified stock portfolios that are bought over time and that are owned in a manner invoking only token fees and commissions." Amen. ■

Style Grab Bag

A PORTFOLIO OF GURU FAVORITES

Glassman's picks represent styles of a variety of legendary investors, so it's not surprising that the list includes both bargain stocks and more highly valued fare.

Company (Symbol)	Recent price	Market value (billions)	Price-earnings ratio*	Price-sales ratio†	Price-to-book value ratio#	2016 earnings growth‡
American Express (AXP)	$74	$74.2	13	2.3	3.4	3.3%
Berkshire Hathaway (BRK-B)	130	321.4	16	1.6	1.3	16.1
Chicago Bridge & Iron (CBI)	40	4.2	7	0.3	1.4	–0.9
Cracker Barrel (CBRL)	147	3.5	20	1.2	6.6	8.2
Home Depot (HD)	115	148.3	19	1.7	17.1	15.3
Lending Tree (TREE)	93	1.1	41	5.6	10.2	28.1
Mueller Industries (MLI)	30	1.7	15	0.8	2.1	20.0
Procter & Gamble (PG)	72	195.2	18	2.6	3.2	13.1
Travelers Cos. (TRV)	100	31.0	10	1.2	1.3	–1.8
Wells Fargo (WFC)	51	263.6	12	3.2	1.6	7.9
Wesco Aircraft Holdings (WAIR)	12	1.2	11	0.8	1.1	6.8

Data through September 30. *Based on estimated earnings for the next four quarters. †Based on sales for the past four quarters. #Based on book value for the most recent quarterly period. ‡Estimated. SOURCES: Company filings, Thomson Reuters, Yahoo.

JAMES K. GLASSMAN, A VISITING FELLOW AT THE AMERICAN ENTERPRISE INSTITUTE, IS AUTHOR, MOST RECENTLY, OF *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE*. HE OWNS NONE OF THE STOCKS MENTIONED.

ANNE KATES SMITH > Your Mind and Your Money

A Sucker Born Every Minute?

"We're aware of rip-off artists and vulnerable consumers. But the book contends that they are the natural order of things and not a departure from it."

Anyone who has taken Economics 101 is probably familiar with the proposition that free markets operate (mostly) on a principle of supply and demand, with businesses providing what consumers want, to the benefit of everyone when all is in balance. But Nobel laureates Robert Shiller and George Akerlof, of Yale and Georgetown universities, respectively, paint a darker picture of our economy in their new book, *Phishing for Phools: The Economics of Manipulation & Deception* (Princeton University Press).

The title comes from the Internet-born practice of *phishing,* which means to defraud someone by posing as a legitimate contact. For the authors, phishing is simply getting people to do things that are in the interest of the phisher but not of the target; *phools* are the targets. The radical (at least in economic circles) premise is that free markets, even when they function perfectly, don't operate to the benefit of all. Instead, according to the book, "The free-market equilibrium generates a supply of phishes for any human weakness."

The bulk of the book is a laundry list of the big and small ways we are phished for phools, ranging from the mortgage-backed securities debacle to more commonplace occurrences in our everyday lives. There's a discussion of advertising, of course, with its uncanny ability to zero in on our vulnerabilities. The authors also give examples of home-buying and car-shopping rip-offs, credit card enticements to overspend, and food and drug travesties ranging from the meat-packing horrors exposed by Upton Sinclair in 1906 to Merck's painkiller Vioxx, pulled from the market in 2004 after it was linked to heart attacks. You might be surprised to learn that the authors consider Cinnabons—those mouth-watering, 900-calorie treats—a classic phishing ploy.

Healthy skepticism. It all sounds reasonable. But didn't we know this already? Don't consumers have an inherent skepticism about advertising and salesmanship? Haven't the fields of behavioral finance and financial therapy boosted our awareness of biases that might cloud our judgment and emotional baggage that can derail our decision-making? And honestly, are Cinnabons all that bad?

Yes, yes, yes and no, said Shiller when I spoke with him. Start with Cinnabons. It's not that they're not yummy; it's that the company has taken the greatest pains to exploit our dietary weaknesses. And it's not that we're not aware of rip-off artists or that we're not learning more about how we are vulnerable as consumers. But the book contends that phishing, as well as phoolish consumers, are the natural order of things and not a departure from it.

I'm not sure I buy the argument about Cinnabons; life would be dreary without any splurges. And despite the book's premise, the picture isn't as bleak as it seems, even to Shiller. "I'm an optimist. I think we're coming to a better world," he says. But that requires institutions such as the Securities and Exchange Commission to be vital safeguards in a phishing economy.

Buyer beware. What can we do to up our game—to put a little more *caveat* in our *emptor*? "On numerous occasions I've recommended reading magazines like *Kiplinger's,*" says Shiller. (We agree!)

Plug aside, Shiller says that consumers must be both educated and on their guard. "It's an ongoing process. When you live in a phishing equilibrium, you can't rely on a salesperson. You have to understand the biases of your information sources. And you have to try to pursue sources that are ethical." That's particularly important advice for investors in financial markets, says Shiller. "There's no way to tell how much of a role phishing plays," he says. But rest assured, "it plays a role." ■

ANNE KATES SMITH IS A SENIOR EDITOR OF *KIPLINGER'S PERSONAL FINANCE* MAGAZINE.

LISE METZGER

SUCCESS STORY

Physical Fitness Is Her Franchise

How a part-time exercise instructor built a business of six Pure Barre studios.

PROFILE

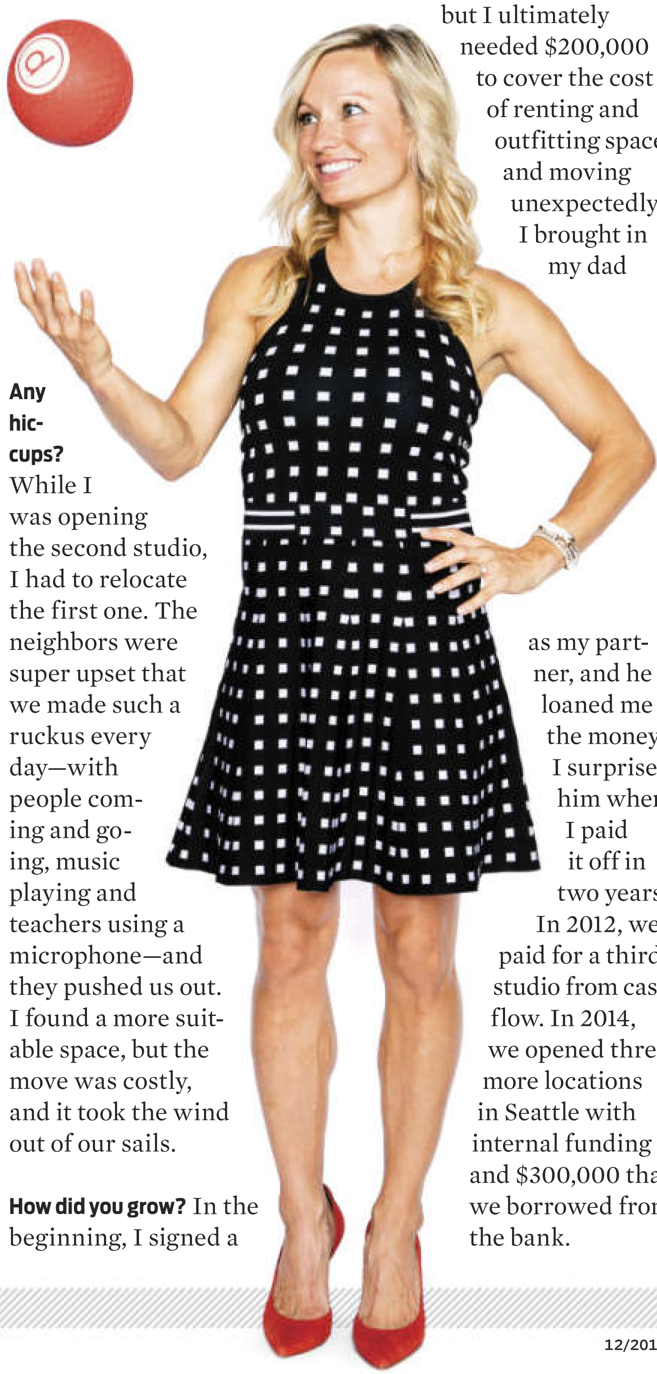
WHO: Sami D. Sweeney, 31

WHERE: Seattle

WHAT: Operates six Pure Barre franchises

What's Pure Barre, and how did you discover it? It's a low-impact exercise program that fuses elements of ballet conditioning, Pilates and yoga. After I graduated from the University of Idaho in 2007 with degrees in finance and economics, I moved to Nashville with my boyfriend, Brandon, now my husband. When he began law school, I looked for a job in finance, but then I trained for and took a job teaching part-time for Pure Barre. Soon after, I was promoted to master teacher-trainer for the southeastern U.S. Physical fitness comes naturally to me, and my timing was impeccable: I watched the studio go from unknown to booming.

Why Seattle? I was raised in the Pacific Northwest, and we wanted to move back. Plus, people here are very fitness-conscious and outdoorsy. I thought Pure Barre would appeal to them as a great way to cross-train. In May 2010, just after our honeymoon, I moved to Seattle (my husband came a year later) and opened my first studio. Before moving, I laid the groundwork—finding the location, building out the space and marketing—so that I could hit the ground running when I arrived in Seattle. I opened a second studio later that year.



JOSÉ MANDOJANA

Any hiccups? While I was opening the second studio, I had to relocate the first one. The neighbors were super upset that we made such a ruckus every day—with people coming and going, music playing and teachers using a microphone—and they pushed us out. I found a more suitable space, but the move was costly, and it took the wind out of our sails.

How did you grow? In the beginning, I signed a territory agreement that gave me the exclusive right to operate in Seattle and Bellevue, and I agreed to open four studios. The franchise fee for each of the first two locations was $40,000, but I ultimately needed $200,000 to cover the cost of renting and outfitting space and moving unexpectedly. I brought in my dad as my partner, and he loaned me the money. I surprised him when I paid it off in two years. In 2012, we paid for a third studio from cash flow. In 2014, we opened three more locations in Seattle with internal funding and $300,000 that we borrowed from the bank.

How's business? We teach 1,320 classes per month, with 10 to 25 people per class. They pay $15 to $18 per class or $23 to drop in. We pay Pure Barre a royalty equal to 8% of our monthly gross sales. Our biggest expense is payroll, with 50 teachers and 34 receptionists—all part-time—and two full-time managers.

Is your husband involved? Brandon handles all our legal needs, keeps the books and helps with the day-to-day management.

Are you making a living? Yes. We don't pay ourselves salaries, but we take distributions at the end of every quarter. We'll continue this way until our debts are fully repaid.

Do you still teach? Yes, I teach an average of 17 classes a week. It's what I love to do and why I got into this business. I encourage my teachers to take my class, to ensure they're upholding the brand and quality.

Would you recommend franchising to others? Being a Pure Barre owner is a great fit for me, but I would only recommend a venture like this if you're up for the daily grind of a small business. It has taken time, energy and a grasp of business systems to succeed in my market.

PATRICIA MERTZ ESSWEIN

■ EPHRAIM KING (LEFT) AND STEPHEN BROWN JOINED FORCES IN A HOME-REHAB BUSINESS AFTER THEY RETIRED FROM THEIR CAREER JOBS.

Land Your Retirement DREAM JOB

Line up family support. Get help from the experts. Expect surprises. And don't forget to have fun. BY JANE BENNETT CLARK

ONE RETIREE profiled here is fulfilling a longtime goal. Several others are taking a hobby to a new level. Still others are starting a business or enjoying an engaging, part-time job. Whatever the gig, these people have found pastimes that not only deliver a paycheck (or the promise of it) but also are downright fun. // Retirement can be an ideal time to pursue your dream and thrive. Think about it: You've had years to build savings and home equity, establish a credit history, and nurture social and professional networks—all of which can be key to launching a business or a new career.

PHOTOGRAPH BY POON WATCHARA-AMPHAIWAN

Starting at 62, you also have access to Social Security benefits if you need them (although full retirement age is currently 66), and you may have income from a pension or a still-working spouse. Plus, you're rich in the one asset that full-time workers lack: time. "At this stage of life, you can really be in control," says Jeff Bucher, a registered investment adviser in Perrysburg, Ohio, who specializes in retirement planning. "Now is the time to branch out."

Here's how several post-careerists pulled off their dream jobs.

REBUILDING OLD SKILLS

Ephraim King, 65, retired from his job as a senior manager at the Environmental Protection Agency four years ago. His initial plan: hike the Appalachian Trail and then return home to Takoma Park, Md., to work as a consultant on clean water, his area of expertise. The hike, which took five and a half months, went fine, but consulting proved to be as stressful as his career job. After a few months, he announced to his wife, Carol Lindeman, "That's it. I'm done."

His neighbor, Stephen Brown, 63, had already retired from his job at a family-owned printing company. Having spent his early career in construction and working as a carpenter, he was a natural to volunteer for Habitat for Humanity; he enlisted King, who had spent years rehabbing his own home, to do the same. The two worked on several projects for the home-building nonprofit.

When those projects ended, they decided to go into the home-rehab business on their own. "Both of us really enjoy the complexity and variety a large house project offers," says King. "It's not just painting or sanding a floor; it's everything coming together." King and Brown each tapped home equity to come up with about $390,000 (split evenly) to buy, fix up and then sell a small, three-bedroom home in nearby Hyattsville. The house, a foreclosure, needed to be totally gutted.

King and Brown took on the project partly as a pastime, but they treated the business side seriously, hiring a business lawyer and forming a limited liability corporation to protect their assets. Both men were mindful that they were tapping family resources. "The money we're using isn't coming out of nowhere," says King. "We're fortunate that we have spouses who understand what we're doing and are supportive."

Playing the role of owner, general contractor and worker requires setting priorities, says Brown. "You learn a lot of lessons about sequence. The guy can't wire the walls if you haven't put them up." The pair have also had to get up to speed on new standards for safety and energy efficiency. Despite their best efforts, says Brown, they've had to redo some work. Then there's their own, uh, aging infrastructure. "It's easy to say 'I can do this and this and this,' but I'm in my sixties. I can't do as much as when I was younger," says Brown.

The best part? Working alongside the subcontractors. "It's fun. You meet great people. They're good at what they do," says King. As for the dollar payoff, their expectations are modest, at least for this go-round. "Our purpose is to work through the learning curve and to break even," says King.

PURSUING A PASSION

When Deborah Nolan, 68, retired eight years ago from her job as a New Jersey deputy attorney general, she couldn't wait to pursue her longtime avocation—writing—full-time. Nolan had been meeting with a group of fellow writers for almost 30 years and had already written a young-adult novel, which she stashed in a desk drawer. Her focus now: writing romance suspense novels.

Nolan had always enjoyed reading the genre, and "I wanted to write what I like," she says. She also realized that her chances of succeeding were better with romance than with other types of fiction. "The romance-writer community is very welcoming, and the conferences are fabulous. Everyone is willing to talk to you and be helpful. It's much easier to find an editor and get your foot in the door."

Nolan's plan to write full-time didn't pan out, however. "I'm too social to be writing every single day. It's not my personality," she says. At loose ends, she took part-time work as a family court lawyer in upstate New York, where she and her husband, Frank, have a weekend home. (The couple also have an apartment in Manhattan.) She settled on a routine of appearing in court a few days a month and writing two days a week.

That combination was serendipitous: "The stimulation of being in court helped my writing," she says. It also provided fodder for her novels, whose protagonists are female lawyers. Nolan's first romance novel, *Suddenly Lily,* was published by Avalon in 2009, followed by *Conflict of Interest* in 2011 and *Second Act for Carrie Armstrong* (published by Desert Breeze Publishing) in 2014.

Nolan doesn't have to make a living at her dream gig. She collects a pension as well as Social Security benefits, and she has the post-careerist's dream asset: a working spouse. (Frank is a partner in a law firm.) Her first check, from Avalon, was a modest $500 when she submitted the manuscript; she received another $500 when it was published. But bigger checks started rolling in after Amazon purchased Avalon in 2012. Last year, Nolan made more than $10,000 in royalties. As far as she's concerned, that qualifies as a happy ending (and maybe a promising prequel). "I like to write anyway," says Nolan, who is working on a sequel to *Suddenly Lily*. "Making some money at it is really nice."

ACING THEIR GAME

Dave and Pam Barret, of Temecula, Calif., were still working as educators—he as a special education teacher, she as an educational consultant—when they came up with the idea of

DEBORAH NOLAN WRITES ROMANCE NOVELS WHILE STILL WORKING PART-TIME AS A LAWYER.

creating and selling a board game about the U.S. Constitution. They had found games to be good teaching tools and had already devised several of their own. "We thought, When we retire, let's put our games out there," says Dave.

They learned that developing a board game is no stroll along Boardwalk. They spent a year researching and brainstorming questions and answers about the Constitution as well as distractor answers—those that are incorrect but not obviously so. They wove elements of chance into the game, so the history buffs wouldn't always win, and they took pains to write clear directions. Then they invited players of all ages to try out their masterwork. Says Dave: "We had people in different rooms of our house playing different versions of our game. We wanted to know: Is it fun? Are you learning? That was really important to us: making learning fun."

They also enlisted experts, including mentors from Score (see the box on page 31) to help with their business plan; a graphic designer to create a prototype of the game; and a team of lawyers to help them get a copyright, a design patent and four trademarks. A local printer produced the first run of 2,500 games. Their initial costs totaled about $70,000, which they charged to credit cards after finding that local banks were unwilling to lend money to untested entrepreneurs.

The financial risk paid off: *The Constitution Quest Game,* $50 at www.cognitivesquare.com, has racked up more than $700,000 in sales, allowing the Barrets to retire from their career jobs. The couple fields about 100 orders a day. Their five grown children and two older grandchildren occasionally pitch in to get the orders out.

One lesson they learned from Score early on: "Don't let the business run you," says Pam. The couple close up shop at noon so they can also appreciate the relaxing side of retirement. "We want to see the grandchildren and enjoy life," she says.

FULFILLING A DREAM

John Graves was 22 when he was accepted to the University of Michigan Law School, in 1968. At age 63, he dug out his acceptance letter and enrolled in the law school full-time.

Graves, now 70, had planned to postpone law school for just a few years while he scraped together the money to cover tuition. As a stopgap, he accepted a teaching job, and he ended up staying in the profession, earning a PhD in education. He later became a school superintendent, most recently in Jackson, Mich.

Graves knew he could always enroll in the law school, thanks to an unusual promise extended to applicants accepted during the Vietnam War era. "Because of all the people getting drafted, Michigan had a policy of issuing a letter saying we were admitted to any future class," says Graves. Although he was happy in his career, he never quite gave up the law school dream. "My wife, Marjory, and I would have a conversation about that letter quite often," he says. In 2008, Graves attended a concert in Ann Arbor, where the law school is located, and realized he still felt a pang. The next Monday, "I called the law school and said, 'I have this letter.' "

JOHN-FRANCIS BOURKE

Michigan honored its commitment, but John and Marjory still had to decide whether they could finance both retirement and law school. "I looked at our financial situation and asked myself, If I never earned a cent as an attorney, would this still work?" he says. He concluded that his pension and Social Security would help cover the couple's retirement expenses; they paid the tuition with a home-equity line of credit on their paid-up house. Graves later took advantage of a 50% discount on tuition for people 65 and over. He turned 65 in time to get the discount for the last two semesters.

With Marjory's encouragement, John moved to student digs in Ann Arbor, commuting the nearly 40 miles to Jackson on weekends. "It made it a better experience. I got to be immersed in something I was really interested in," he says. He graduated from law school in 2011 and now provides part-time legal services to his former school district. He enjoys the work but considers going to law school the real dream gig. "Every class was interesting. I met people who had done a lot of things I hadn't done." And he had one big advantage over his much-younger classmates. "For me, getting to school at 7 A.M. was no big deal."

Graves also treasures having shared the experience with Marjory, who died recently. "It was a change of pace in our marriage but also invigorating. Law school was very much something *we* did."

AFTER RETIRING FROM AN INFORMATION TECHNOLOGY CAREER, ALVIN FAMBER LANDED HIS DREAM JOB AT HOME DEPOT.

ALEX MARTINEZ

PROMOTING THE PINOT NOIR

After spending 25 years as a product developer for Nike, in the Portland, Ore., area, Brad Long was eager to spend retirement enjoying the beauty and bounty of the Northwest. He also wanted to introduce other people to the area's charms. Those interests led to his current job, promoting and leading wine tours of the Willamette Valley, near his home in Portland. "I'm very proud of this area for its environment, people and entrepreneurial spirit," he says. "Plus, I like wine."

Long, 60, landed the part-time work at EverGreen Escapes, a Seattle-based company with an office in Portland. Now he leads three to five tours a month; he also works on commission for the company, selling tour packages to people visiting the Portland area. Although the company offers other tours, he mostly focuses on wineries in the Willamette Valley, which specialize in pinot noir. "The Willamette Valley is a lot like the Bordeaux region of France, which is why the pinot noir grows so well here," he says.

To prepare for his job as an "escape artist" (the name given the tour guides), Long shadowed other guides, researched local wine lore and did his own field research, hopping on his bike to visit nearby wineries. As an oenophile, soaking up information wasn't difficult. "When you talk to the people who work at the wineries and tasting bars, you learn a lot," he says. Recently, he enrolled in a course in natural resources management at Oregon State University to obtain a Master Naturalist certification and broaden his knowledge of the natural history and resources of the state. "I hope to use this knowledge in my tours," he says.

Using a Mercedes van, Long picks up clients at their hotel and escorts them on the 45-minute drive to wine country, explaining the history and viticulture of the region and stopping at several of the nearly 400 vineyards in the area.

Like all of the retirees profiled here, Long has other sources of income. He received a generous severance package

from Nike, and his wife, Trudy Ludwig, is a successful author of children's books. "The new income is part of our total income, but we don't rely on it. If there are periods when we don't have the income, we're okay," says Long. Still, he is also setting up shop as a footwear product consultant, partly to keep his foot in that door and also as a hedge against Portland's rainy season, which puts a damper on tourism for about half of the year.

THE DIY DAY JOB

Alvin Famber gets paid to discuss home projects, take classes on home projects, give advice on home projects and sell the materials for home projects. His dream-come-true retirement job: selling tools, washers and widgets at Home Depot.

Famber, of Canton, Ga., spent his preretirement career in information technology, working mostly for Fortune 500 companies. He retired in 2012 to care for his ailing mother; a year or so later, after her health improved, he applied for work at the big-box store. Getting to hang out at his longtime haunt was part of the appeal, he says. "I always really liked Home Depot."

Famber started as a cashier and moved to the hardware section. To make the move, he was required to get certification for that department within six months, a process that involves taking online classes and being assessed by a supervisor in the department aisle. "You have to be prepared as a sales associate to give advice to the customers and show them what they need," says Famber. He has since become certified in plumbing and hopes to score his electrical certification by next spring. He currently works about 26 hours a week.

For Famber, 64, the Home Depot paycheck is nice but not necessary: He collects Social Security benefits and also has an annuity, as well as savings in a 401(k) and an IRA. Still, the extra income comes in handy for his must-have items, such as parts for the 1953 Packard Clipper he's restoring and the new vanity for his bathroom renovation. "Most of my work income goes back to Home Depot," he says.

Even better than the money, he says, is instant access to expertise. "My pipes burst last winter. Instead of hiring a plumber, I got the parts and did it myself. I got directions from the manager in the plumbing department." Home Depot managers have the expertise to act as contractors, and professional contractors who buy at Home Depot weigh in on projects as well. "We have great relationships; we share knowledge," Famber says.

Then there are the customers, who are as happy to talk shop as Famber is. "Our customers spend a lot of time here." Helping to get them to the next level (or the right pipe wrench) is the best part of the job, he says. "It's very rewarding." ■

KipTip

How to Make It Happen

IF YOU'RE THINKING OF REENTERING THE WORKFORCE FOR FUN, IF NOT MUCH profit, you have plenty of company. Of the 7 million people age 55 and older who are working part-time, more than 5.5 million are working for non-economic reasons, according to the Bureau of Labor Statistics. Plus, people age 55 to 64 are among the fastest-growing groups of entrepreneurs, representing about 26% of start-ups in 2015, according to the Kauffman Index, which tracks new businesses.

Even if you don't plan to make a killing at your dream gig, you don't want it to become a nightmare. Here's how to get started.

Landing a job you love. Sites aimed at older workers include www.retirementjobs.com, which lists jobs in retail, tax preparation, caregiving and driving, among other fields, and www.encore.org, which focuses on jobs in the nonprofit world. For seasonal jobs in outdoor settings, including national parks, go to www.coolworks.com.

Be creative in seeking out jobs that dovetail with your interests—say, working part-time at a golf shop, selling cosmetics from home, ushering at a sporting venue or manning an aisle a few mornings a week at a hardware store. You might assume employers are unwilling to hire older employees, but "companies appreciate the flexibility a retiree can bring in terms of hours and commitment," says Jeff Bucher, a registered investment adviser in Perrysburg, Ohio, specializing in retirement planning.

Starting a business that works. Succeeding as a start-up requires a willingness to take risks and to make decisions, as well as the ability to negotiate deals and make people want what you're selling. Be sure you have those skills before launching your idea (see "Strike It Rich!" May 2015).

Then make a business plan, including a description of your company and a market analysis. Also address how you plan to organize and finance your enterprise and how you'll reach your audience. Include an executive statement that highlights your structure and mission.

Having a mentor can put you on the right track (or prevent you from pursuing an ill-advised idea). You can find one through Score (www.score.org), a network of business advisers offering free advice. Michael O'Malley, a Score mentor in Fairfield County, Conn., says, "I stress viability. Hoping and praying is not a business."

Be prepared to put up your own money—say, from savings, home equity or a credit card. "Most banks don't fund start-ups eagerly," says O'Malley. Once your business has proved itself, he says, you can tap into the banking system, not to save the business but to expand it. (For more information, browse the Small Business Administration's Web site, at www.sba.gov.)

TAXES»

Year-End Tax Savers

Turn lemon investments into lemonade write-offs, and other ways to lower your 2015 tax bill. BY SANDRA BLOCK

THIS YEAR HASN'T BEEN KIND TO INVESTORS. Falling oil prices, the slowdown in China and uncertainty about the U.S. economy have pummeled portfolios and fanned speculation about a bear market. That could put a real damper on your holiday festivities. But with the end of the year approaching, you can turn your lemons into a sparkling cocktail with a citrus twist. Use your losses to lower your tax bill, and you'll be in a celebratory mood when you do your 2015 tax return next year.

To take advantage of tax-saving losses, you must sell depreciated stocks or mutual funds that are in a taxable account, not your 401(k) or IRA. (However, if your traditional IRA has declined in value, it may be a great time to convert some or all of the money in it to a Roth; see "Reap the Roth Rewards," on page 34.)

Losses you claim are first used to offset any profits you've locked in by selling investments during the year. So if you have stocks or funds that performed well but may have peaked, your losses may allow you to cash in without triggering a big tax bill. Investments you sell that you've held for one year or less produce short-term gains or losses. After you match up short-term losses with short-term gains, you'll match up long-term losses with long-term gains. You can deduct net losses of one type against gains of the other type.

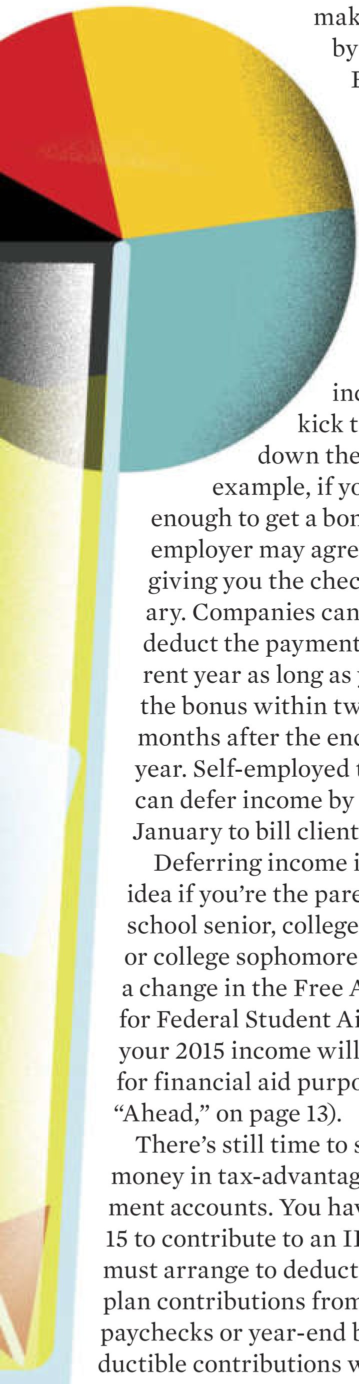
After you've run out of gains to offset with losses, you may use up to $3,000 of the remaining losses to offset other types of income, such as your salary or distributions from an IRA. You can roll over unused losses to future years until they've all been used.

When harvesting losses, don't get tripped up by the "wash sale" rule. Suppose you have a stock in your portfolio that has sustained some serious damage but still has long-term potential for growth. If you sell it at a loss, you must wait more than 30 days before repurchasing it. Otherwise, the IRS will prohibit you from claiming the loss on your tax return. You can buy a stock in the same sector without triggering the wash-sale rule. If you sell a mutual fund at a loss, getting around the wash-sale rule is easy: Simply buy another fund that invests in similar securities.

Good housekeeping. There weren't any big changes in the federal tax code this year, and given the ongoing gridlock in Washington, it's unlikely lawmakers will do more than tinker with the code in 2016. That means the standard year-end advice still makes sense for most taxpayers. Unless you expect your income to rise next year, try to claim as many deductible expenses as

ILLUSTRATION BY THE PROJECT TWINS

possible by year-end so that you can take the write-offs sooner rather than later. For example, pay your January mortgage bill before December 31 so you can deduct the interest on your 2015 tax return. Make sure your charitable contributions are made before the end of the year, too. If you use your credit card to make donations by New Year's Eve, you can deduct them on your 2015 tax return, even if you don't pay the bill until next year. Deferring income will kick the tax bill down the road. For example, if you're lucky enough to get a bonus, your employer may agree to postpone giving you the check until January. Companies can generally deduct the payment for the current year as long as you receive the bonus within two and a half months after the end of the tax year. Self-employed taxpayers can defer income by waiting until January to bill clients.



Deferring income is also a good idea if you're the parent of a high school senior, college freshman or college sophomore. Because of a change in the Free Application for Federal Student Aid (FAFSA), your 2015 income will count twice for financial aid purposes (see "Ahead," on page 13).

There's still time to stockpile money in tax-advantaged retirement accounts. You have until April 15 to contribute to an IRA, but you must arrange to deduct extra 401(k) plan contributions from your 2015 paychecks or year-end bonus. Deductible contributions will reduce your taxable income and your adjusted gross income. That's particularly important for taxpayers who are close to the threshold for the 3.8% surtax on investment income. The surtax affects investors with AGI of $200,000 or more ($250,000 for married couples). The surtax is owed on your investment income or the amount by which your AGI exceeds the threshold, whichever is less.

The season of giving. For the vast majority of families, the federal estate tax is not a problem. The 2015 estate tax exemption, which is adjusted annually for inflation, is $5.43 million, or $10.86 million for married couples. But 13 states and Washington, D.C., have lower estate-tax thresholds than the federal government. In New Jersey, for example, estates valued as low as $675,000 could be taxed.

You can reduce your exposure to these taxes by giving assets away while you're still alive. In 2015, you can give cash, securities or other property valued at up to $14,000 to as many people as you want without filing a gift-tax return or dipping into the credit that will protect your estate from the federal estate tax (see the box for more ways to lower estate taxes).

Giving away securities that have gained in value is a tax-smart strategy, particularly if the recipients are in a lower tax bracket than you are. When they sell, gains that would have been taxed at up to 23.8% on your tax return will be taxed at a lower rate. If the lucky recipients are in the 10% or 15% tax bracket, they can sell the securities without paying any federal capital gains taxes. Likewise, donating appreciated securities to charity is both generous and smart. If you have owned the securities for more than a year, you can deduct their value on the day you made the donation.

Securities that have declined in value, however, make lousy gifts, says Greg Rosica, a certified public accountant and contributing editor to the *Ernst & Young Tax Guide*. You can't claim a tax break for the loss, and the recipient can't, either. A better strategy: Sell the securities and give the proceeds to family members or your favorite charity. That way, you can use the losses to offset capital gains or ordinary income.

As has been the case for the past several years, we'll have to wait to see whether Congress renews a tax break that allows seniors age 70½ or older to donate money from their IRAs directly to charity. The provision, which allowed tax-free transfers up to $100,000 to count toward the required minimum distribution, expired on January 1. Congress has revived the tax break in the past, and it is expected to do so again this year. If you'd like to make a charitable rollover, hold off on taking your RMDs for a few more weeks. Be prepared to act fast, though, if it looks as if the provision won't be extended. The penalty for not taking your RMD by December 31 is 50% of the amount you should have withdrawn. ■

KipTip

Other Ways to Give

If you're feeling really generous (and worried about estate taxes), consider these giving strategies:

Pay the college bills for a grandchild (or anyone else). Direct payments to a college or university to cover tuition aren't subject to the gift-tax rules, so you can give more than $14,000 a year without worrying about the tax. You can also stash up to five years' worth of annual gift exclusions in a 529 college-savings plan in one year. That's up to $140,000 for a married couple. The money won't be included in your estate, but you'll maintain control of the account.

Pay someone's medical expenses. Direct payments to a medical service provider are also exempt from the gift-tax rules. You can use this exemption to help family members pay medical bills.

FAMILY FINANCES»

Reap the Roth Rewards

It's never too late to start funding a Roth to lock in tax-free retirement income. BY SANDRA BLOCK

THERE'S NO SUCH THING AS a free lunch, or so the well-worn axiom goes. But when it comes to retirement-savings strategies, a Roth IRA comes pretty darn close. As long as you follow the rules, a Roth will provide a tax-free source of income when you retire. If you don't need the money, you can leave it to your heirs, and they won't have to pay taxes on the money, either. And it's never too early—or late—to invest in one.

SHORT-TERM PAIN, LONG-TERM GAIN

You can contribute up to $5,500 to a Roth ($6,500 if you're 50 or older) in 2015, as long as you're not a high earner (see below). You can invest in a Roth even if your employer offers a 401(k) plan. Ideally, you should fund both to the max; the 401(k) contribution limit is $18,000 for 2015, or $24,000 if you're 50 or older. Or at least invest enough in your 401(k) plan to get any company match and then contribute to a Roth.

When retirement is decades away and you don't have much money to spare, it may seem silly to sock money in a Roth—especially when contributions to a traditional IRA, 401(k) or other tax-deferred retirement plan are rewarded with an immediate tax break. But when you're in a low tax bracket, the up-front savings from a deductible IRA may be minimal. Plus, a Roth's long-term payoff is huge: In exchange for giving up the immediate deduction, you'll be rewarded with years of tax-free earnings growth. And as long as you wait until you're 59½ to take withdrawals, none of the money will be taxed, no matter how high your tax bracket when you start spending the money.

When you're in your peak earning years, the break you receive for contributing to a tax-deferred retirement plan becomes more valuable. In addition, the benefits of a Roth are less compelling if you think your tax bracket in retirement will be lower than it is now. Still, diverting at least a portion of your savings to a Roth could pay off big when you retire—particularly if you didn't fund one when you were younger.

Income limits on Roth contributions affect high earners, but they're not insurmountable. In 2015, single taxpayers with modified adjusted gross income of $131,000 or more are ineligible to contribute to a Roth; those with MAGI of between $116,000 and $131,000 can contribute a reduced amount. For married couples who file jointly, the income limits phase out between $183,000 and $193,000; those with MAGI of $193,000 or more are ineligible to contribute to a Roth.

One way around the problem is to convert a traditional IRA to a Roth. There are no income restrictions on Roth conversions; anyone can do it. However, you must pay taxes on all pretax contributions and earnings up to the time of the conversion. You can minimize the taxes by converting gradually over several years. Because taxes are based on the value of your IRA when you convert, you can also take advantage of market downturns to lower your tax bill.

Some high-income savers have embraced a strategy known as a "backdoor" Roth IRA. With this maneuver, you invest after-tax dollars in a nondeductible IRA, then convert it to a Roth. As long as you convert before any

ILLUSTRATION BY PETE RYAN

earnings accumulate, the transaction is tax-free. There's one important caveat, though: If you already own a deductible IRA (a rollover from a former employer's 401(k), for example), your tax bill will be based on the percentage of taxable and tax-free assets in all of your IRAs, even if you convert only one of them. For example, if you have $5,000 in a nondeductible IRA and $95,000 in a deductible IRA and convert $50,000 to a Roth, then 5%, or $2,500, would be tax-free.

An easier approach is to direct some of your retirement-plan contributions to a Roth 401(k), if that option is available to you. Nearly 60% of large employers offer the Roth version, according to Aon Hewitt, a human resources consulting firm. There are no income limits on Roth 401(k) contributions. Deposits are after-tax and earnings on those amounts will be tax-free; any matching contributions from your employer go into a regular pretax account, though, and earnings in that account will be taxed when withdrawn. (Don't worry. Your plan has to keep track of these things.) As with Roth IRAs, once you're 59½ and have owned a Roth 401(k) for at least five years, withdrawals are tax- and penalty-free.

About one-third of employers that offer this option allow plan members to convert some or all of a regular 401(k) to a Roth 401(k). You'll pay taxes on the amount you convert, but after that your earnings will be tax-free.

There is a big difference between converting an IRA and converting a 401(k), however. Unlike an IRA conversion to a Roth, which can be reversed within a certain period of time, there's no do-over with a Roth 401(k) conversion.

One downside to Roth 401(k) plans is that you must take required minimum distributions from

KipTip

Tap It If You Need It

MONEY YOU STASH IN a Roth isn't completely locked up. You can withdraw your contributions at any time, tax- and penalty-free. We don't recommend it (remember, the money is for retirement), but in an emergency, your Roth is there for you.

Once you have retrieved all of your contributions and dip into earnings, you'll usually pay taxes on those earnings if you withdraw them before age 59½, along with a 10% penalty. But there are exceptions. After you've owned the Roth for at least five years, you can withdraw up to $10,000 in earnings toward the purchase of your first home, tax- and penalty-free. If you take withdrawals of earnings to pay for a child's college costs, you'll pay taxes but you won't have to pony up the 10% early-withdrawal penalty.

the account when you turn 70½. This problem is easily avoided, though, by rolling the account into a Roth IRA when you retire. Roth IRAs aren't subject to RMDs.

REAPING THE BENEFITS IN RETIREMENT

A Roth in your arsenal gives you the flexibility to avoid bracket-busting withdrawals in retirement, says Ken Perine, a certified financial planner with Meritage Wealth Advisory, in Livermore, Calif. Withdrawals from traditional IRAs and 401(k) plans are taxed as ordinary income, and the money you take out could push you into a higher bracket (the brackets currently extend from 10% to 39.6%). What's more, the additional income could subject you to a host of unpleasant consequences, ranging from higher Medicare premiums to a surtax on your investment income.

If you've made it to retirement without investing in a Roth, you can still add one to your retirement portfolio, and you probably should. You need earned income to contribute to a Roth, so if you're no longer working, this door is closed. But you don't need earned income to convert a deductible IRA to a Roth. And depending on your circumstances, you may be able to convert without paying a big tax bill.

For example, suppose it's your first year of retirement and you've socked away enough in a savings account to cover your expenses for the year. Because you aren't working full-time and have reduced income, you can convert a significant amount of money from your IRA at a low tax rate, says John Scherer, a certified financial planner in Middleton, Wis. In 2015, a married couple can have up to $74,900 in taxable income and remain in the 15% tax bracket. Even if your conversion moves you into the 25% bracket, you'll only pay that rate on the amount that exceeds the threshold. For example, if your conversion results in taxable income of $77,900, you'll pay 25% on only $3,000.

You'll always be able to withdraw the amount you converted without paying taxes or penalties. And after five years, you can withdraw earnings tax- and penalty-free, too (as long as you're at least 59½). (Converting to a Roth also shrinks the amount remaining in your deductible IRA, which you'll appreciate once you turn 70½ and start taking annual required minimum distributions from the account.)

The longer you leave the Roth untouched, the more you'll benefit from tax-free earnings growth. For that reason, financial advisers often recommend tapping taxable accounts first, followed by your tax-deferred retirement accounts, and finally, your Roth IRA. However, if you need a large amount of money for an emergency (and don't have enough in your taxable account to cover it), you can take it out of your Roth without triggering a big tax bill (see the box on page 35).

Similarly, smaller withdrawals from your Roth will allow you to maintain your retirement lifestyle without some of the unpleasant tax consequences ignited by taxable withdrawals from your deductible IRAs or 401(k) plans. For example, taxes on Social Security benefits are based on what's known as your provisional income—your adjusted gross income (which includes withdrawals from your 401(k) or a traditional IRA), plus any tax-free interest, plus 50% of your benefits. If you substitute tax-free withdrawals from your Roth to cover some of your needs, you may be able to keep your AGI below the thresholds that trigger higher taxes.

Better yet, tax-free withdrawals may help you postpone taking Social Security benefits—and each year you delay claiming benefits between age 62 and 70 boosts your payout by as much as 8% a year. Using tax-free withdrawals to manage your taxable income could also lower Uncle Sam's take of your taxable accounts. Long-term capital gains are tax-free for taxpayers in the 10% or 15% tax brackets.

Another advantage of the Roth is that if you don't need the money, you don't have to start taking it out of the tax shelter at age 70½, as you do from regular IRAs and 401(k)s. Significant mandatory distributions from such accounts can push you into a higher tax bracket.

The benefits of a Roth continue even when you're not around to enjoy them. Money in an inherited Roth account can be withdrawn by heirs tax-free over their lifetimes. With a traditional IRA, withdrawals are taxed at your heirs' top tax brackets. ■

KipTip

Roths Are for Kids, Too

NOTE TO PARENTS: HELPING YOUR CHILDREN FUND A ROTH is a great way to start them on the road to a secure retirement. As long as your children have earned income, they're allowed to contribute to a Roth, even if they don't use their own money. You can contribute up to the regular annual limits or 100% of what they earned for the year, whichever is less. Even teenagers are eligible for a Roth as long as they have earnings from a part-time or summer job.

If you own your own business and pay your child to do administrative work, cleaning or other tasks, those earnings also count toward Roth eligibility, says Steve Burkett, a certified financial planner in Bothell, Wash. A Roth "is a great way to start educating children on long-term investing and gives them an invaluable source of tax-free income during their retirement," he says. Look for a firm with low fees and low investment minimums. TD Ameritrade, for example, has no minimums or annual fees for its IRAs, including custodial accounts held by parents or grandparents for children.

MONEY MANNERS

How to ease the stress of gift giving. **BY MIRIAM CROSS**

THE HOLIDAY SEASON HAS MANY rewards, but choosing gifts can be stressful—for you and your wallet. Follow our advice on giving sensibly without giving offense.

Some people on my list could use cash rather than a present. How can I give money tactfully? Financially strapped college students will appreciate the gift of money, whether it's cash, a check or a prepaid gift card from a retailer or an issuer such as Visa or MasterCard. Dress up the envelope with a bow or holiday sticker, or include a token gift (such as a small picture frame) with the card to make the present more festive, says Elaine Swann, an etiquette and lifestyle expert and founder of the Elaine Swann Leadership Academy, in San Diego.

Giving money to an older relative is a more delicate matter. If, for example, you know your aunt could use money, include a handwritten note with a check to make it more personal. Smooth over any awkwardness by saying, "We didn't know what to get you, so we want you to get what you like," says Diane Gottsman, etiquette expert and owner of the Protocol School of Texas, in San Antonio. (Avoid saying, "Get what you need.") If you'd rather help her purchase something specific, gather a few relatives together and pose a question such as, "We really want to give you something other than another sweater. Can you pass on some hints?"

I received an expensive—and unexpected—gift from a friend. Should I reciprocate? Only if you were planning to give your friend a present anyway. If you weren't, "be gracious and say thank-you, but don't explain why you don't have a gift," says Swann. If you would like to give back in a way that doesn't feel forced, think of a way to treat your friend in the coming year—perhaps with a dinner invitation. If you were planning to give your friend a present but haven't done so yet, don't feel you have to match the value of your friend's gift dollar for dollar. Choose something within your budget that is useful or reflects your relationship.

My boss gives me a present every year. Should I return the gesture? There's no need to return the gesture if the end-of-year token is a sign of appreciation for your hard work; in that case, a thank-you will do. However, if you have a longstanding relationship and *want* to reciprocate, it's fine to buy something small and thoughtful. Choose a gift that fits your salary, not the boss's, and avoid anything personal, such as perfume or a tie.

Worried about how coworkers might perceive your present? You can avoid gossip by combining resources with colleagues to buy a group gift or by bringing something that the whole office can enjoy—a tray of banana bread, for example, and a smaller loaf for your boss. ■

PATRICK GEORGE

Rent Out Your Car for Cash?

YOU MAY CRINGE AT THE THOUGHT OF letting a casual friend, let alone a stranger, drive your car. But what if you could earn a few extra bucks by renting it out? Several car-sharing services facilitate such deals, putting you in touch with potential renters and providing insurance to protect against damages and liability.

RelayRides is the most widely available and versatile of the bunch. Its marketplace feature links you directly to people looking to rent for at least a day in more than 2,500 cities (although the company doesn't operate in New York State). You can check up on potential renters, who have online profiles and are prescreened by the company.

Your car must be a 2005 model or newer and have fewer than 100,000 miles on the odometer. RelayRides recommends pricing based on demand in your city, but you can charge whatever you like. In the month of August, the average active user made more than $500 after RelayRides' 25% cut to cover administrative fees and insurance, says Steven Webb, director of communications.

RelayRides isn't as high-tech as better-known car-sharing services, such as Car2Go: You have to coordinate pickup and meet the renter to exchange keys. The company touts its $1 million primary liability insurance, but if your car is totaled, you'll receive compensation only up to the actual cash value of your car. And unless you've taken "before" photos of your vehicle immediately prior to renting it, coverage excludes dings, dents or scratches less than six inches long. **MILES KRUPPA**

KIMBERLY LANKFORD > Ask Kim

Get the Most From Telehealth

MY EMPLOYER IS OFFERING telehealth as part of its health plan in 2016. What exactly is telehealth, and do I have to use it rather than seeing a doctor in person?
M.S., MADISON, WIS.

Telehealth offers virtual visits with a doctor by phone or through video chat. Michael King, of Teladoc, a telehealth company, says it is mostly used for people suffering from common complaints, such as sinus, upper respiratory and urinary tract infections; bronchitis; allergies; and flu and coughs. Or, if you have a rash, you can e-mail a photo to a telehealth doctor for a diagnosis.

Some employers use a separate telehealth program, but most offer it as an option in their health plan. "No one requires you to use telehealth, but some employers encourage employees to use it by lowering the co-payment," says Allan Khoury, a senior health management consultant with benefits consulting firm Towers Watson. The typical co-pay for a telehealth visit may be $15 or less, versus $20 for an office visit, $50 for urgent care and up to $150 for the ER.

> **"The typical co-pay for a phone or video telehealth visit may be $15 or less, versus $20 for an office visit, $50 for urgent care and up to $150 for the ER."**

Employers can cut costs, too. An office visit may cost $150, and the ER can cost $700 or more, but a visit with a telehealth doctor typically costs $40.

Tracking down unclaimed property. *I found a large refund check from my grandmother's retirement home when she died in 2006. The check is now void, and the facility is under new management. Could this money be in the state unclaimed property division?*
SCOTT MCRAE, TAMPA

The type of uncashed refund check you found generally must be turned over to a state's unclaimed property division within five years (time frames vary by state). We contacted the state treasurer's office in South Carolina and Florida, both states where your grandmother lived, and neither found the money. The Florida unclaimed property division asked the retirement home to check its records and discovered that a replacement check had been issued and cashed in 2008.

But there's still good news. South Carolina found $351 in your grandmother's name, and Florida found $936 in uncashed dividend checks in her name. You can file claims with the states' unclaimed property divisions. You'll need to provide a copy of your grandmother's death certificate, and the estate may need to be reopened. Contact the probate court in the county where your grandmother died for details.

Anyone can search a state's unclaimed property database (go to www.naupa.org for links) or go to www.missingmoney.com to search 39 states' databases at once. If that doesn't work, contact the state's unclaimed property division and ask it to search by "estate of" or the specific dollar amount, says Mary Pitman, author of *The Little Book of Missing Money*.

Good solo HSAs. *I'm switching to a high-deductible health insurance policy next year, but my employer doesn't offer a health savings account. Where can I open an HSA?*
J.K., VIA E-MAIL

Since your employer doesn't offer an HSA, consider HealthSavings Administrators (www.healthsavings.com). Contributions to an HSA in 2016 are limited to $3,350, or $6,750 if you have family coverage (plus an extra $1,000 if you're 55 or older). But if you pay medical bills with other cash, you can keep the money growing for the long term, with 22 Vanguard funds to choose from with no investing minimum. You'll pay an administrative fee of $45 per year and a small quarterly custodial fee. Check out www.hsasearch.com for other options. Several banks and brokerages offer HSAs. ■

GOT A QUESTION? E-MAIL ASKKIM@KIPLINGER.COM. KIMBERLY LANKFORD ANSWERS MORE QUESTIONS EACH WEEK ON KIPLINGER.COM.

LISE METZGER

CREDIT »

Cards With the Best Signing Bonuses

HOLIDAY SHOPPING SEASON is a great time to give yourself a gift: a heap of extra points or miles from your credit card. Spending $1,000 to $4,000 to get them should be a snap.

The cards that offer the most generous bonuses have annual fees, although some waive their fee the first year. For example, the **CITI THANKYOU PREMIER** card (www.citi.com; $95 annual fee, waived the first year) hands over 50,000 points if you spend $3,000 in the first three months. Standard rewards include three points per dollar spent on travel (including gas), two points on dining and entertainment (such as movie tickets), and one point on everything else. Among airline cards, **BRITISH AIRWAYS VISA SIGNATURE** (www.chase.com; $95) recently offered 50,000 miles if you spend $2,000 in the first three months. The card pays three miles per dollar on purchases you make with British Airways and one mile per dollar on all other spending.

If you'd rather earn miles you can use for any airline, check out **CAPITAL ONE VENTURE** (www.capitalone.com; $59, waived the first year) and **BARCLAYCARD ARRIVAL PLUS** (www.barclaycardus.com; $89, waived the first year); both offer 40,000 miles for spending $3,000 in the first three months. You earn two miles per dollar on all purchases with either card. **CHASE SAPPHIRE PREFERRED** dishes out 40,000 points for spending $4,000 in the first three months (see "The Best List," on page 60).

Among no-fee cards, consider **CAPITAL ONE VENTUREONE** (1.25 miles per dollar spent), **BARCLAYCARD ARRIVAL** (two miles on travel and dining, and one mile per dollar on all other purchases) and **BANKAMERICARD TRAVEL REWARDS** (www.bankofamerica.com; 1.5 points per dollar). All offer 20,000 miles for spending $1,000 in the first three months. **LISA GERSTNER**

Kiplinger.com

RATE UPDATES

For the latest savings yields and loan rates, visit kiplinger.com/finances/yields.

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds*	0.30%	0.30%	0.50%
U.S. Series I savings bonds	0.00	0.00	1.94
Six-month Treasury bills	0.06	0.23	0.05
Five-year Treasury notes	1.36	1.47	1.70
Ten-year Treasury notes	2.07	2.13	2.43

As of October 6, 2015. *EE savings bonds purchased after May 1, 2005, have a fixed rate of interest.
- Bonds purchased before May 1, 1995, earn a minimum of 4% or a market-based rate from date of purchase.
- Bonds bought between May 1, 1995, and May 1, 2005, earn a market-based rate from date of purchase.

SOURCES FOR TREASURIES: Bloomberg, U.S. Treasury.

TOP-YIELDING DEPOSIT ACCOUNTS

No-Minimum Checking Accounts	Annual yield as of Oct. 6	Web site (www.)
All America Bank (Okla.)	1.25%	allamericabank.net
EverBank (Fla.)*†	1.03	everbank.com
MyCBB (Calif.)*	0.79	mycbb.com
Bank of Internet USA (Calif.)*	0.71	bankofinternet.com
NATIONAL AVERAGE	**0.11%**	

Rewards Checking Accounts	Annual yield as of Oct. 6	For balances up to‡	Web site (www.)
Consumers Credit Union (Ill.)#	5.09%	$20,000	myconsumers.org
Northpointe Bank (Mich.)	5.00	5,000	northpointe.com
Great Lakes Credit Union (Mich.)#	3.00	10,000	glcu.org
Lake Michigan Credit Union (Mich.)#	3.00	15,000	lmcu.org
NATIONAL AVERAGE	**1.64%**		

Savings Accounts	Annual yield as of Oct. 6	Min. deposit	Web site (www.)
EverBank (Fla.)*†	1.11%	$1,500	everbank.com
My Savings Direct (N.Y.)*§	1.10	1	mysavingsdirect.com
Dime Savings of Williamsburgh (N.Y.)*§	1.10	1,000	dime.com
Radius Bank (Mass.)§	1.10	2,500	radiusbank.com
NATIONAL AVERAGE	**0.10%**		

*Internet only. †Promotional rate for first-time clients; available for the first year. #Must be a member; to become a member, see Web site. ‡Portion of the balance higher than the maximum earns a lower rate or no interest. To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. §Northeast Bank and Palladian Private Bank offer a similar yield. SOURCES: Bankrate.com, Depositaccounts.com.

TOP-YIELDING CERTIFICATES OF DEPOSIT

1-Year	Annual yield as of Oct. 6	Min. amount	Web site (www.)
E-Loan (N.Y.)*	1.30%	$10,000	eloan.com
CIT Bank (N.J.)*	1.30	25,000	bankoncit.com
Synchrony Bank (N.J.)*	1.25	2,000	synchronybank.com
SallieMae Bank (Pa.)*	1.25	2,500	salliemae.com
NATIONAL AVERAGE	**0.28%**		

5-Year	Annual yield as of Oct. 6	Min. amount	Web site (www.)
E-Loan (N.Y.)*	2.45%	$10,000	eloan.com
Barclays Bank (Del.)*	2.25	none	banking.barclaysus.com
Synchrony Bank (N.J.)*	2.25	25,000	synchronybank.com
First Internet Bank of Indiana (Ind.)*	2.15	1,000	firstib.com
NATIONAL AVERAGE	**0.86%**		

*Internet only. SOURCE: © 2015 Bankrate.com, a publication of Bankrate Inc., 11760 US Highway 1, N. Palm Beach, Fla. 33408 (800-327-7717, ext. 11410; www.bankrate.com/kip).

LOW-RATE CREDIT CARDS

Issuer	Rate as of Oct. 6*	Annual fee	Late fee	Web site (www.)
First Command Bank (P)	6.25%	none	$25†	firstcommandbank.com
Lake Michigan Credit Union (P)	6.25	none#	25†	lmcu.org
Citizens Trust Bank Visa (G)	7.25	none	25†	ctbconnect.com

AIR-MILES CARDS

Issuer	Rate as of Oct. 6*	Annual fee	Miles needed for ticket	Web site (www.)
BankAmericard Travel Rewards	14.99%	none	40,000‡	bankofamerica.com
Barclaycard Arrival Plus	15.99	$89§	40,000‡	barclaycardarrival.com
Chase Sapphire Preferred	15.99	95§	40,000&	chase.com

Rates are adjustable. *If you do not qualify for this interest rate, the issuer will offer a higher-rate card. (P) Platinum. (G) Gold. †$35 if late more than once in 6 months. #Must be a member of the credit union; to become a member see Web site. ‡$400 value. §Waived the first year. &$500 value if you book through Chase Ultimate Rewards. SOURCE: Bankrate.com. Banks may offer lower introductory rates.

Cash In on 7 Cash-Rich Companies

Companies loaded with the green stuff can provide smoother sailing in a turbulent global economy. **BY TOM PETRUNO**

IN TIMES OF ECONOMIC AND MARKET TURMOIL, having a chunk of cash in the bank gives comfort. It's the same for companies: A hefty cash cushion can provide security and financial flexibility when business slows or markets suffer an unexpected shock. And in good times, cash can fund expansion or acquisitions if a company prefers to avoid taking on debt or issuing more shares. // The rap on cash is that it doesn't earn

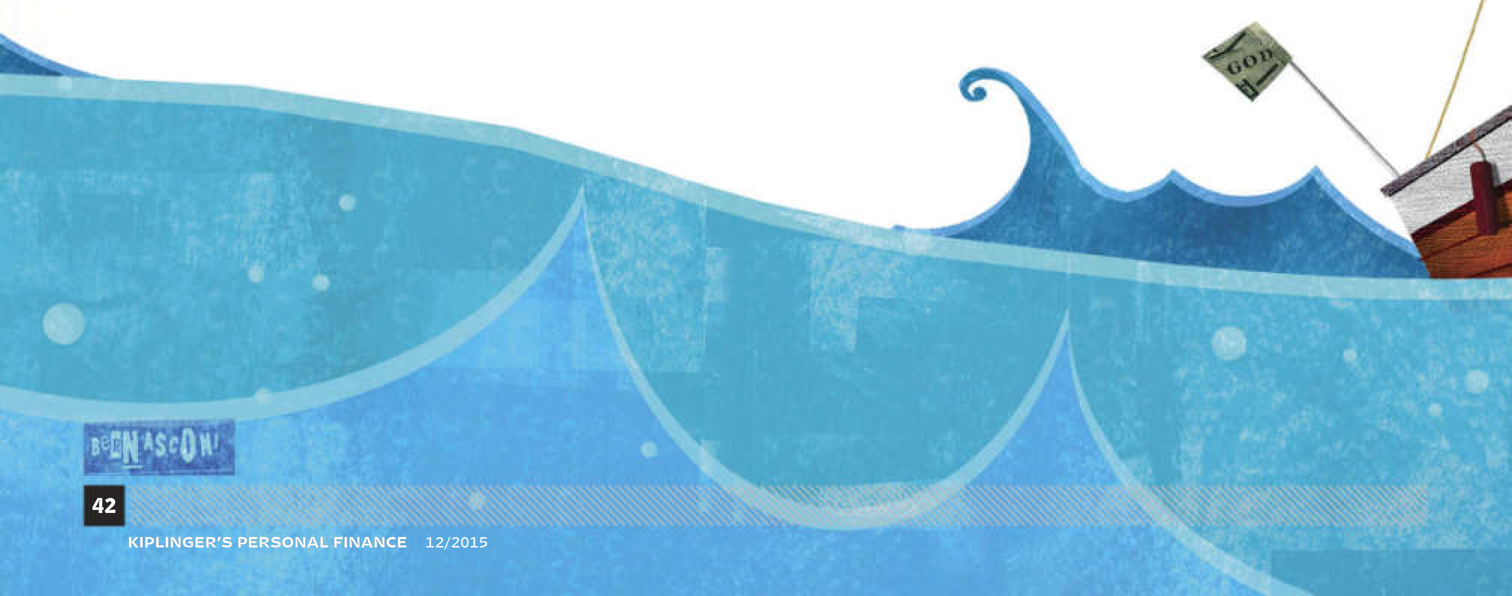


ILLUSTRATION BY PABLO BERNASCONI

anything—or at least that has been the case since 2008, as the Federal Reserve has held short-term interest rates near 0%. But the wild market ride of recent months, a still-dicey global economy and the likelihood of Fed rate hikes ahead may fuel a new appreciation for companies that have built sizable cash buffers. Below, we list seven companies that we believe have great opportunities to use their large holdings of cash and securities for the long-term benefit of shareholders. (We skipped Apple, the biggest cash hoarder of all, because so much has been written about its $200 billion stash.)

A few caveats: First, many U.S. multinational companies keep cash abroad rather than bringing it home and facing stiff tax bills. That can limit how much they're able to tap without penalty. Second, holding a big cash stake may not mean a company is debt-free. Some firms have sold long-term bonds in recent years to lock in low interest rates, even as they've accumulated cash. But with all that cash in the vault, those companies could easily pay off much or all of their debts. Finally, holding a lot of cash is no guarantee of business success. What matters is how well a company puts that money to work for shareholders. Below are our cash-rich seven (prices and related data are as of September 30).

1 ALPHABET (SYMBOL GOOGL, $638)

Never heard of Alphabet? It's the new name for Internet search titan Google, which reorganized its corporate structure in October while keeping the stock symbol that hints at the company's origins.

Sitting on cash and investments of $70 billion—third among all companies, behind only Apple and Microsoft—Alphabet has faced some of the same questions as its rivals about how to use its wealth. The company's answer was to assure investors that however it spends the money, it will do so transparently. The reorganization financially separated the core Google businesses, which include search,

NOT ALL BRICK-AND-MORTAR RETAILERS ARE HISTORY. BEST BUY IS A CASE IN POINT.

Gmail, YouTube and the Android operating system, from the firm's more speculative ventures, such as health care innovations and driverless cars. Goldman Sachs hailed the move as a way to give investors more confidence in the company overall—and to showcase what Goldman believes will be rising profit margins at the Google unit thanks to more disciplined spending. The upshot, Goldman says, is that investors should award a higher price-earnings ratio to the stock, which now sells for 20 times estimated year-ahead earnings.

As for the core Google business, the company is so dominant in Internet search that it is effectively untouchable. But like rival Facebook, Google's long-term challenge is to generate more ad revenue from the mass of humanity using its products. YouTube may hold some of the greatest profit potential. Brokerage Wells Fargo Securities says YouTube is now the "best positioned" online option to grab ad dollars directed at consumers whose TV watching is waning. Like Goldman, Wells Fargo also believes Alphabet's stock has been underappreciated—but maybe not for long.

2 AMGEN (AMGN, $138)

One of the first profitable biotech companies, Amgen was a growth-stock star of the 1990s, thanks to its groundbreaking treatments for red and white blood cell deficiencies. But by 2007, sales began to stagnate, and an earnings slowdown followed. The stock's price was no higher in the middle of 2012 than it had been seven years earlier. In the past few years, however, Wall Street has rekindled its enthusiasm for Amgen, and the shares have soared to new highs. Key to its resurgence has been a slew of new drugs, including cholesterol-lowering Repatha, bone-loss treatment Prolia and blood-cancer drug Kyprolis. Amgen's sales and earnings are expected to reach a record $21.2 billion and $9.76 per share, respectively, in 2015.

Sales of some of the company's oldest drugs are still declining as new rivals emerge. But Amgen has used its recent growth, along with tight expense controls and low-cost, long-term borrowing, to build up a rich war chest. Even after paying $9.7 billion to buy Kyprolis developer Onyx Pharmaceuticals in 2013, Amgen's cash and investments have swelled, hitting a record $30 billion in mid 2015. That has allowed the company to spend heavily on research while buying back stock and sharply boosting its dividend (to a current annual rate of $3.16 per share).

Some on Wall Street have other ideas for Amgen: In October 2014, activist investor Dan Loeb said the company should consider splitting in two, separating its high-growth and low-growth product lines. There's no sign that Amgen intends to do that, but bulls such as research firm Cowen and Co. say the stock remains undervalued given Amgen's pipeline of new drugs, strong earnings prospects and steadily rising dividends.

3 BERKSHIRE HATHAWAY (BRK.B, $130)

Warren Buffett's holding company is a fabled refuge for investors who expect their corporate managers

ISTOCKPHOTO.COM

to be highly value-conscious in putting money to work—and to think long term. To that end, Berkshire has religiously kept hefty cash sums on hand, ready to invest when bargains arise. In August, Berkshire said that it would buy aerospace parts supplier Precision Castparts in a deal worth $37 billion—Buffett's biggest purchase ever. Even after that, Berkshire should have more than $40 billion in cash, about half of which Buffett can use to take advantage of other opportunities (he prefers to have at least $20 billion in the till).

With Berkshire Class B shares down 14% from their 2015 high, the stock is priced at about 1.3 times the company's book value (assets minus liabilities) per share. In the past, Buffett has suggested that Berkshire would be a bargain at about 1.2 times book value. Berkshire investors get a conglomerate that is a widely diversified bet on long-term economic growth. It includes a core insurance business (led by Geico), a stable of about 60 individual firms (including Duracell, Burlington Northern railroad, See's Candies and Fruit of the Loom) and a stock portfolio that includes big stakes in Coca-Cola, IBM, Wells Fargo and others. All in all, analysts on average estimate that Berkshire will generate revenues of $212 billion in 2015.

Some investors may fret about another number: 85, Buffett's age. To invest in Berkshire now, you have to trust Buffett when he says he has built a company that will have no trouble outliving him.

4 BEST BUY (BBY, $37)

The continuing boom in online shopping has marked many brick-and-mortar retailers for extinction. That appeared to include Best Buy three years ago, when shares of the largest U.S. electronics retailer fell to as low as $11. But Wall Street's funeral plans turned out to be premature, as Best Buy's sales and earnings have been rising again after a long slump. In the quarter that ended August 1, sales at U.S. stores open at least one year rose 3.8% from a year earlier, the fourth straight quarterly advance. Total sales were $8.5 billion, and operating earnings jumped 18%, to 46 cents per share. CEO Hubert Joly says the results affirmed his belief that consumers still want a physical place to shop for electronics and get first-rate advice.

To turn itself around, Best Buy cut costs by a total of $1 billion over 2013 and 2014, pulled out of China, shrank Canadian operations, trimmed the U.S. store count to the current 1,400 and matched many of archrival Amazon.com's prices. Best Buy's online sales showed particular strength in the quarter that ended August 1, jumping 17% from a year earlier. In addition, the company has been stressing the "store within a store" concept for brands such as Apple and Samsung.

The rebound in earnings since 2012 has allowed Best Buy to amass a $3.5 billion cash buffer. In turn, the cash pile has funded stock buybacks and an extra dividend payment of 51 cents per share last April (on top of the regular dividend, currently 23 cents per quarter). It still isn't clear whether Best Buy's revival will last. But Deutsche Bank Securities says the stock represents "underappreciated growth" and is too cheap to ignore at just 13 times estimated year-ahead earnings.

5 CISCO SYSTEMS (CSCO, $26)

Cisco has long been the gold standard in computer networking, producing the routers and switches that keep data flowing worldwide. But that business, like others considered old tech, is slowing as new solutions emerge—such as software-defined networking, which allows companies to simplify network operations and quickly increase capacity without spending heavily on new equipment. Although Cisco remains highly profitable, sales growth has been tepid. The $49.2 billion in revenues that the company generated in the fiscal year that ended last July were just 7% greater than sales in the July 2012 year.

Cisco, of course, isn't sitting still. Thanks to internal expansion as well as acquisitions, the company's business extends far beyond old-school networking and now includes cloud computing, online security, software

CEO MARK ZUCKERBERG CAN USE THE BILLIONS IN FACEBOOK'S COFFERS TO FUND RESEARCH AND BUY OTHER COMPANIES.

BLOOMBERG/GETTY IMAGES

and wireless tech. That's where Cisco's $60 billion cash hoard comes in. The money will help the company finance its transition to the emerging networking environment. And as it adds new tech offerings, Cisco has an advantage over many smaller rivals, says research firm S&P Capital IQ, because the company's broad networking expertise means it can offer clients "holistic solutions" rather than just single products. Likewise, Morningstar sees Cisco's know-how as a "durable competitive advantage." In the last fiscal year, operating earnings rebounded 7%, to $2.21 per share, from the previous year's weak results. Analysts expect a modest rise, to $2.30, in the year that ends next July.

Wall Street seems to be growing more comfortable with Cisco's prospects, despite the relatively slow growth rate: The stock doubled from mid 2011 to early 2015, before pulling back a bit. It helps that Cisco has committed to sharing cash with investors via buybacks and a rising dividend.

6 FACEBOOK (FB, $90)

In just 11 years, Facebook has gone from a dorm-room start-up to a global operation with nearly 1 billion daily users. Despite a flubbed initial stock offering in 2012, which saw the shares soar above $40 only to crash below $20, investors have recognized the company's enormous profit potential as the world's largest social network. The stock has surged for three straight years, reaching almost $100 last summer. Facebook is expected to earn about $3 billion in 2015 on sales of $17.2 billion. Its profit tsunami in turn has filled its coffers with $14 billion in cash and investments, which is all the more impressive given that the firm has zero debt.

That cash buildup is a source of comfort for investors because Facebook continues to spend heavily on ideas it believes will keep users coming back. Research expenses in 2015 alone are expected to be $2.3 billion. Some investors might prefer that the company rein in spending and focus more on the critical issue of boosting advertising revenues on its sites, including photo-sharing app Instagram and mobile-messaging service WhatsApp. Yet founder Mark Zuckerberg has won kudos from analysts for proceeding slowly to avoid irritating loyal consumers and driving them away.

That go-slow approach worked well with Facebook's move into advertising on its mobile site beginning in 2012. Since then, its mobile ad revenue has rocketed. Given all that could go wrong in such a young business, Facebook stock clearly is only for people with a high tolerance for risk. But brokerage Stifel Nicolaus thinks Facebook is poised to deliver Wall Street's holy grail: sustained long-term growth.

7 MEDTRONIC (MDT, $67)

Already a major supplier of medical devices, Medtronic swelled in size this year with its $50 billion acquisition of Covidien, which makes a wide range of hospital-care products used in surgery, diagnostics, dialysis and other areas. Medtronic makes such items as pacemakers, defibrillators, heart valves, stents, insulin pumps and spinal fixation devices, so the company is partly a play on an aging global population. Covidien brings the ability to partner more closely with hospitals—an important strategy, given increasing pressure on health care costs. Both companies see major growth opportunities in China.

The balance sheet now holds $18 billion in cash and securities (largely offsetting $34 billion in long-term debt). Medtronic is expected to post sales of $29 billion in the fiscal year that ends next April and earn $6.3 billion, or $4.37 per share. The cash-rich company has demonstrated a commitment to sharing its profits via dividends, having increased its payout by 25% in July. Brokerage BTIG calls Medtronic "one of the most structurally sound" medical tech companies and says the stock offers "compelling" potential reward relative to the risk.

But before investing in Medtronic, make sure you don't have any objection to "corporate inversions." After consummating the merger with Covidien last January, Medtronic officially moved its headquarters to Ireland to qualify for that country's low tax rate, even though the top brass will continue to run the firm from Minnesota. Such maneuvers have drawn political ire, though the companies argue that the tactic is just good business sense. ■

Wealthy and Healthy

SEVEN FIRMS WITH FAT CASH CUSHIONS

Compare a company's cash stash to its market capitalization to get a sense of a stock's value. By that standard, Cisco is even cheaper than its low P/E suggests.

Company (Symbol)	Recent price	Market value (billions)	Cash (billions)*	Cash as a percentage of market value*	Price-earnings ratio†
Alphabet (GOOGL)	$638	$437.6	$69.8	16%	20
Amgen (AMGN)	138	104.9	30.0	29	13
Berkshire Hathaway (BRK.B)	130	321.4	66.6	21	16
Best Buy (BBY)	37	12.8	3.5	27	13
Cisco Systems (CSCO)	26	132.8	60.4	45	11
Facebook (FB)	90	203.2	14.1	7	35
Medtronic (MDT)	67	94.4	18.0	19	14

Through September 30. *Cash and investments. †Based on estimated earnings for the next four quarters.
SOURCES: Company filings, Thomson Reuters, Yahoo.


Paul Fredrick
PFS

JEREMY J. SIEGEL > Going Long

China Worries Are Overblown

> "U.S. exports to China last year totaled about $121 billion, accounting for only 0.7% of U.S. gross domestic product."

With China's economic woes in the headlines, the first question many stock traders ask each morning is, "How did the Shanghai Composite index do overnight?" Even Federal Reserve Chair Janet Yellen cited "global risk" (clearly referring to China's market instability) when justifying holding off on increasing interest rates.

But when you dig down into the details, China's economy does not loom large for the U.S. For instance, U.S. exports to China last year totaled about $121 billion, virtually unchanged from 2013, and accounted for only 0.7% of U.S. gross domestic product.

Furthermore, a slowdown in China produces powerful countervailing forces that reduce any negative impact on U.S. exports. Because China is such a major importer of oil and other commodities, a slowing Chinese economy means lower prices for oil, copper, iron ore and other materials imported by the U.S. and most other advanced countries. Certainly events in China are part of the reason for the recent decline in oil prices, which benefits U.S. producers and consumers. In fact, J.P. Morgan has determined that when all the effects are added together, the positive impact of falling commodity prices offsets the negative impact on trade, and the short-term impact on U.S. GDP is negligible.

In search of savers. Although I agree with this assessment, it's possible that the effects of slowing Chinese growth could be much more substantial if they signal that China and other emerging economies can't grow as fast as expected. Economic growth is the most effective way to mitigate the impact of the "age wave"—the tens of millions of workers in developed countries who will enter retirement over the next several decades.

Retirees are consumers, not producers, which means they must sell assets from their portfolios in order to finance their consumption. Unfortunately, members of the younger generations in the developed world are not sufficiently numerous, nor do they have enough income, to absorb all of these assets. Without a boost from other savers, asset sales by retirees may initiate a significant decline in the prices of stocks and bonds.

Fortunately, my research suggests, emerging economies could provide the needed savings to absorb retirees' asset sales. To do that, however, they'll have to achieve growth of 4% to 5% per year in labor productivity, or output per hour worked. China has easily surpassed that bar, even though its recent annual growth has slowed from more than 10% to 6% to 7%.

But much of the emerging world is not yet up to that level; Latin America has been a particular disappointment in recent years. The important question is this: If China is reaching the limits of its growth, does that call into question the potential growth in India and other emerging economies? If so, then the U.S. and the rest of the developed world will be much worse off.

Unrealized potential. I don't share this fear. The downturn in commodity prices has hurt many emerging economies, particularly Russia's and those in Latin America, but it has helped others, such as India's. India is seeing its GDP grow by nearly 8% this year, and that trend is expected to continue in 2016. And Africa, the world's poorest continent, has scarcely begun to realize its potential.

The deceleration of the Chinese economy may be more severe than Beijing admits. But China is only one part of the global economy, and even its recent slowdown does not spell the end of growth. In planning for the long run, investors should look further ahead. And the future prospects for world economic growth are still very favorable. ■

COLUMNIST JEREMY J. SIEGEL IS A PROFESSOR AT THE UNIVERSITY OF PENNSYLVANIA'S WHARTON SCHOOL AND THE AUTHOR OF *STOCKS FOR THE LONG RUN* AND *THE FUTURE FOR INVESTORS*.

LISE METZGER

THE KIPLINGER 25 UPDATE

Akre Focus Beats the Market Again

IT'S BEEN A ROUGH YEAR FOR the U.S. stock market, but Akre Focus is hanging tough. The fund's one-year return of 4.3% outpaced Standard & Poor's 500-stock index by 4.9 percentage points and the average midsize-company growth fund (the category to which Morningstar assigns Akre) by 3.4 points. If Akre finishes the year ahead of the S&P 500, it will mark the fifth time in its six full years of existence that it topped or matched the market (Akre nipped the index by 0.04 percentage point in 2012).

The secret to the $3.9 billion fund's success is a three-legged stool. No, it's not a chair that managers Chuck Akre, John Neff and Tom Saberhagen occupy at the firm's Middleburg, Va., office. Rather, it's a metaphor they invoke to describe their stock-picking process. The first leg of the stool involves finding high-quality businesses that can earn an above-average return on capital. Next comes spotting firms with skillful and honest executives. The final leg is identifying companies with a record of wisely reinvesting in the business.

If a company passes those tests and if the share price is right, the managers buy. But they don't buy too many stocks; Akre Focus held shares in just 27 companies recently. Annual turnover, at 30%, is low, implying that the managers hold on to a stock for more than three years, on average. That's twice as long as the typical holding period for funds that invest in midsize companies.

Akre Focus has owned shares of insurer Markel (which some consider a poor man's Berkshire Hathaway) since the fund opened in September 2009. The stock soared 26% over the past year, which Saberhagen partially attributes to the smooth integration of insurer Alterra Capital Holdings, a 2013 Markel acquisition. "It showed that there's potential for Markel to continue to do well with acquisitions and grow the firm over time," he says. At last report, Markel accounted for a hefty 9.3% of the fund's assets.

Saberhagen says he and his comanagers like companies that acquire other firms and improve them. Dollar Tree Stores, a holding since 2010 and 5.8% of the fund's assets at last word, recently completed the purchase of rival Family Dollar. The deal seals Dollar Tree's position as a leading national discount retailer, with more than 13,000 stores. Over the past year, Dollar Tree's stock has jumped 19%. **NELLIE S. HUANG**

REACH YOUR GOALS: TO SEE PORTFOLIOS USING THESE FUNDS, GO TO KIPLINGER.COM/LINKS/PORTFOLIOS.

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
Akre Focus	AKREX	4.3%	15.2%	16.3%	—	Dec. 2009
Davenport Equity Opps	DEOPX	2.4	13.8	—	—	May 2014
Dodge & Cox Stock	DODGX	−6.6	13.4	13.0	5.5%	May 2008
Fidelity New Millennium	FMILX	−4.5	11.0	12.6	8.3	May 2014
Homestead Small Co Stock	HSCSX	3.4	13.3	14.3	10.0	May 2012
Mairs & Power Growth	MPGFX	−2.9	11.3	12.6	7.4	Jan. 2013
Parnassus Mid Cap	PARMX	0.9	11.4	12.9	8.7	Aug. 2014
T. Rowe Price Divers Sm-Cap Gro	PRDSX	4.6	15.1	15.7	9.3	May 2015
T. Rowe Price Sm-Cap Value	PRSVX	−1.3	8.6	10.7	6.7	May 2009
T. Rowe Price Value	TRVLX	−4.5	13.4	13.2	7.1	May 2015
Vanguard Dividend Growth	VDIGX	1.3	12.1	13.0	8.4	May 2010
Vanguard Selected Value	VASVX	−4.2	13.0	12.7	7.5	May 2005

International Stock Funds	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
Artisan International	ARTIX	−9.6%	5.6%	6.7%	4.9%	May 2015
FMI International	FMIJX	−0.2	10.5	—	—	April 2015
Harding Loevner Emrg Mkts	HLEMX	−17.4	−2.2	−1.2	4.6	May 2013
Matthews Asian Gro & Inc	MACSX	−10.4	0.5	2.8	6.8	Aug. 2013

Specialized/ Go-Anywhere Funds	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
FPA Crescent	FPACX	−2.3%	8.1%	8.4%	6.9%	Oct. 2008
Merger	MERFX	−2.6	1.4	1.8	3.0	June 2007

Bond Funds	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
DoubleLine Total Return N	DLTNX	4.1%	3.2%	5.7%	—	May 2011
Fidelity Intermed Muni Inc	FLTMX	2.0	2.2	3.2	4.0%	May 2004
Fidelity New Markets Income	FNMIX	−4.3	0.1	4.3	7.0	May 2012
Fidelity Total Bond	FTBFX	1.6	1.8	3.7	5.0	May 2014
Met West Unconstrained Bd M	MWCRX	0.2	2.9	—	—	May 2013
Osterweis Strategic Income	OSTIX	−0.2	3.6	4.7	6.2	May 2013
Vanguard Sh-Tm Inv-Grade	VFSTX	1.5	1.5	2.1	3.6	May 2010

Indexes	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.
S&P 500-STOCK INDEX	−0.6%	12.4%	13.3%	6.8%
RUSSELL 2000 INDEX*	1.3	11.0	11.7	6.6
MSCI EAFE INDEX†	−8.3	6.1	4.5	3.4
MSCI EMERGING MARKETS INDEX	−19.0	−4.9	−3.3	4.6
BARCLAYS AGGREGATE BOND INDEX#	2.9	1.7	3.1	4.6

Through September 30. —Not available; fund not in existence for the entire period. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. SOURCE: © 2015 Morningstar Inc.

MUTUAL FUNDS»

American's Best 401(k) Funds

Workplace retirement plans let you buy these funds without paying a sales charge. BY NELLIE S. HUANG

IF YOU'RE A DO-IT-YOURSELF investor, you're probably not too familiar with the American Funds group. That's because you usually can't buy American funds without going through an adviser, and if you buy through an adviser, you pay a commission or an ongoing fee based on the amount of money your adviser is managing for you.

But if you can invest in American funds through your 401(k) plan without paying a load, consider yourself fortunate. American, the third-largest player in the mutual fund industry (behind only Vanguard and Fidelity), is known for charging low fees (loads notwithstanding) and delivering consistent results.

In this, the fourth in a series looking at the most popular funds in workplace retirement plans, we examine seven American portfolios that rank among the 101 largest mutual funds in employer retirement plans. We've previously written about Vanguard (Sept.), Fidelity (Oct.) and T. Rowe Price (Nov.).

But first, Capital Group, the firm that manages the American funds, needs some introduction. The 84-year-old company, which is based in Los Angeles, has its own particular way of managing funds. The firm even trademarked a name for it: the Capital System.

All the funds have multiple managers, from as few as two to as many as 12. A well-crafted management team, says David Polak, a Capital Group executive who works closely with the managers, "can smooth out returns without diminishing them." The atmosphere is collegial, but the firm frowns upon groupthink. Each manager runs his or her own slice of a fund's assets individually.

Skin in the game. Another hallmark of American funds: Managers are encouraged to invest in the funds they run, and most do. According to Capital Group, 97% of its funds have at least one manager who has more than $1 million of his or her own money invested in the portfolio.

The managers combine deep company research with a long-term, buy-and-hold philosophy. The funds typically have low turnover—and that's true of their holdings and their managers. The average tenure of managers at the seven American funds we analyzed ranges from eight to 12 years.

The Capital System has helped build the American Funds family into a $1.2 trillion colossus. Some of the firm's top 401(k) funds are among the largest actively managed funds in the country. And the process has produced good results: None of the American funds on our list is a dud, though some have delivered mediocre results of late.

Below, we list the funds in order of their retirement-plan assets, starting with the fund with the most assets, based on data from BrightScope, a consulting firm that rates and ranks retirement plans. Although your plan may offer the funds' institutional share class, all data listed below, including symbols, refer to the share class that's most accessible to the average investor—in this case, the Class A shares. All returns

ILLUSTRATION BY BEADY EYES ILLUSTRATION

are as of September 30. To see data on all 101 of the most popular funds in 401(k) plans, visit kiplinger.com/links/101funds.

EUROPACIFIC GROWTH (SYMBOL AEPGX) **HOLD** EuroPacific Growth, which opened in 1984, is one of the oldest and largest foreign stock funds in the country. In recent years, the fund has delivered steady but decidedly average returns. The fund's girth—it holds $124 billion in assets—may have something to do with the uninspiring results, and that's why we rate it a "hold."

Compared with its rivals, EuroPacific's 10-year record is impressive: Its 5.0% annualized return beat the typical large-company foreign stock fund by an average of 1.1 percentage points per year. However, its relative five-year record is just middle of the pack. That said, the fund was less volatile than most of its competitors over that stretch.

EuroPacific Growth invests mostly in firms based in developed foreign countries—72% of assets at last report. Emerging markets account for the rest. Geographically, the fund's assets are almost evenly divided between Europe and the Asia Pacific region (including Australia).

GROWTH FUND OF AMERICA (AGTHX) **SELL** With $141 billion in assets, GFA is the largest actively managed fund in the land. Because of the fund's immensity and its checkered performance in recent years, we rate it a "sell." Although GFA ranks in the top 30% of all large-company growth stock funds over the past three years, the fund has been in the bottom 40% of its category in four calendar years since 2007 and in the middle twice.

The 11 managers and 25 analysts who run the 42-year-old fund have a broad view of what qualifies as a growth company. For instance, some of the fund's 283 stocks are companies that are turning around. Others are out-of-favor firms, and still others are classic growth businesses with the potential to generate rising earnings and revenue. And despite the "of America" part of its name, the fund recently had 14% of its assets invested abroad, mostly in China, Japan and Canada. Its top three holdings: Amazon.com, Google and Gilead Sciences.

AMERICAN BALANCED (ABALX) **BUY** American Balanced is a reliable performer. Its five-year return ranks among the top 3% of all moderate-allocation funds (the Morningstar category that includes balanced funds, which hold roughly 60% of assets in stocks and 40% in bonds). And the fund's performance has been steady in recent years. Over the past decade, American Balanced ranked among the top 8% of its peers, with a 6.5% annualized return—an average of 1.4 percentage points per year better than the typical balanced fund.

American Balanced's primary goal is to preserve capital. Providing income is second, and long-term

growth is third. “The idea is to provide a package for a prudent investor,” says Capital Group’s Polak. The fund must invest at least 50% of its assets in stocks and must hold at least 25% in bonds. At last word, stocks accounted for 62% of assets; bonds, 32%; and cash, 6%. Over the past 10 years, the fund’s stock exposure has been as low as 60% and as high as 74%, says Polak. Its top three stock holdings: Microsoft, Philip Morris International and Comcast.

FUNDAMENTAL INVESTORS (ANCFX) **HOLD** A decade ago, Fundamental Investors was sizzling. For three consecutive years—2005, 2006 and 2007—the fund landed in the top 7% of its category (large-company funds that invest in stocks with a blend of growth and value attributes). But aside from that streak, the fund’s returns have been subpar. Since the start of 2008, the fund has earned 4.9% annualized, trailing Standard &Poor’s 500-stock index by an average of 0.9 percentage point per year.

Polak describes the stock-picking approach of Fundamental’s managers as “fairly contrarian.” The fund’s seven managers and 40 analysts favor undervalued blue-chip stocks in out-of-favor industries. It’s the kind of strategy that requires patience, but over time it can pay off handsomely. Once a stock lands in Fundamental, it tends to stay for a while. The fund’s turnover ratio of 29% implies an average holding period of almost 3.5 years (compared with 1.6 years for the average large-company stock fund). The fund’s biggest holdings are Microsoft, Amazon.com and Philip Morris International.

WASHINGTON MUTUAL INVESTORS (AWSHX) **BUY** When American launched Washington Mutual in 1952, it wanted to appeal to investors looking for a safe haven. To lower risk, Washington Mutual’s creators devised a strict set of eligibility rules for the kinds of stocks the fund could own. Those rules—combined with the fund’s income-first, growth-second objectives—make Washington Mutual ideal for conservative investors who want a low-volatility stock fund.

The fund’s seven current managers continue to follow the rules set out more than a half-century ago. Many of the rules target characteristics that are common among blue-chip stocks. For starters, the company must have paid a dividend in eight out of the previous 10 years. (Up to 5% of the fund’s assets can be in non-dividend payers, but they must pass even stricter requirements.) In addition, companies cannot derive the majority of their revenues from alcohol or tobacco. The rules, says Polak, represent “a very strict interpretation of ‘quality.’ ”

“To lower risk, Washington Mutual’s creators devised strict rules for the kinds of stocks the fund could own.”

As you may guess, not many firms meet the standards. At last word, Washington Mutual Investors held 140 stocks, with Microsoft, Home Depot and Wells Fargo occupying the three top spots in the portfolio.

The cautious strategy helps to smooth out the bumps. Over the past 10 years, Washington Mutual has been 13% less jumpy than most large-company stock funds. That helped a bit during the disastrous downturn of 2008; although the typical large-company stock fund plunged 37.1%, Washington Mutual Investors dropped 33.1%.

NEW PERSPECTIVE (ANWPX) **BUY** In 1973, consumer inflation in the U.S. hovered above 6%, Billie Jean King defeated Bobby Riggs in a tennis match billed as the “battle of the sexes,” and *The Exorcist* was one of Hollywood’s biggest hits. That year, Capital Group launched New Perspective, a fund designed to invest in firms poised to benefit from “changing global trading patterns,” as the current annual report puts it. It sounds quaint. After all, most large companies today—and even many small ones—operate all over the world.

But change has served this fund well. Its 10-year annualized return ranks among the top 5% of all global stock funds (those that can invest anywhere in the world).

New Perspective’s eight managers focus on growing companies based anywhere and conducting business all over the world. The fund recently had 49% of its assets in U.S. stocks and 43% in foreign issues, with the rest in cash and short-term corporate bonds. Its top three holdings are Novo Nordisk, a Danish drug company with a commanding share of diabetes treatments worldwide; Amazon.com; and Regeneron Pharmaceuticals, a Tarrytown, N.Y., biotech firm.

CAPITAL WORLD GROWTH AND INCOME (CWGIX) **HOLD** Most global stock funds gun for growth. But as its name suggests, Capital World has an additional goal: to generate income. So its nine managers and 40 analysts roam the world looking for stocks that meet both objectives. The result is a barbell-like portfolio. On one side are high-quality stocks that boast high dividend yields, such as phone giant Verizon Communications and tobacco titan Altria Group. On the other side are faster-growing firms, such as biotech luminaries Amgen and Gilead Sciences.

The fund’s long-term record is strong, but its recent performance has been kind of blah. Over the past five years, Capital World Growth and Income has been a middling performer, with an annualized return of 7.2%. That’s why we rate the fund only a “hold.” ■

ISTOCKPHOTO.COM

STOCKS»

Profit From Cuba's Coming Boom

You can invest today in companies that will benefit from a loosening of the U.S. embargo. **BY DAREN FONDA**

AMERICAN COMPANIES HAVE long dreamed of setting up shop in Cuba—rebuilding its roads, tapping its vast mineral deposits and turning the Communist country into the Disneyland of the Caribbean. A couple of guys named Castro (not to mention a series of U.S. administrations) haven't exactly shared that vision. But after more than 50 years of hostility, relations between the U.S. and Havana are thawing, and Cuba is now eager for foreign business. That promises to clear the way for global companies to eventually cash in.

Though you won't see a Hilton in Havana tomorrow, the easing of U.S. sanctions is ushering in a pro-business era for the country. Under new government rules, U.S. banks can handle transactions from Cuban banks, and U.S. companies can export a wider array of goods, including telecommunications equipment and supplies for "private entrepreneurs." Companies can now open offices, warehouses and stores in Cuba. The U.S. has also relaxed travel restrictions for its citizens, who no longer have to carry wads of cash or traveler's checks; they can use credit and debit cards in the country.

Despite these changes, a complicated web of U.S. laws, including the Kennedy-era trade embargo, prevents American firms and most foreign companies from doing much business in Cuba. U.S. companies aren't allowed to extend credit to Cuban customers, a major impediment for a cash-strapped economy. The U.S. also blocks Cuba from tapping financing through such institutions as the World Bank.

Havana makes life difficult for business as well. The government keeps a tight leash on labor, requiring foreign companies to use government "employment agencies" to hire workers and set wages. Protections for legal and property rights remain questionable in a country that confiscated vast amounts of privately owned property after the Communists took control in 1959. The upshot is that only a handful of publicly traded global companies do significant business in Cuba, among them Spain's Melia Hotels (symbol SMIZF, $14) and Canadian miner Sherritt International (SHERF, $0.60). (Prices are as of September 30; only stocks in boldface are recommended.)

Indeed, without some major political and economic reforms, the country isn't likely to experience a sea change in foreign investment, says Tomas Bilbao, head of the Cuba Study Group, a nonprofit organization that promotes Cuban development. "The Cuban government needs to create a more attractive investment environment," he says, "and the U.S. needs to get out of the way."

Nonetheless, Cuba is taking steps to lure foreign business and liberalize its economy. A law passed in 2014 included measures to encourage more foreign investment in the country, and the government created a special economic development zone around Mariel Bay, aiming to turn it into a regional shipping hub with looser labor rules for foreign companies. Also on the agenda: unifying the country's dual-class currency system and reforming state-run enterprises, which

■ POTENTIAL BENEFICIARIES OF A CAPITALIST INVASION OF CUBA.


Carnival


American Airlines Group


Coca-Cola Femsa

account for about 25% of the economy. "Business conditions will improve because Cuba needs to attract more foreign investment," says Paolo Spadoni, a Cuba expert at Augusta University, in Augusta, Ga. "Companies have a sense of urgency to be there because they think the embargo will end soon."

As the largest economy in the Caribbean, Cuba offers tantalizing possibilities if those reforms do come. Its workforce is both highly educated and underemployed. Cuba has vast mineral deposits, a developed biotech industry, ports close to the U.S., and gorgeous beaches for resort development.

Investing in Cuba-related stocks now means taking a flier on companies that don't do a meaningful amount of business, if any, on the island. Indeed, it could take years for an investment in Cuba to pay off. Some stocks look attractive in their own right, though, and could get a lift from Cuba-related business if the country does open up.

CARNIVAL (CCL, $50), for example, may be the first major cruise-ship company to drop anchor in Havana. It plans to start "cultural exchange" cruises to Cuba under its Fathom brand in the spring of 2016, pending approval by Cuban authorities. Carnival CEO Arnold Donald says Cuba presents a "huge opportunity" for the industry and could "refresh" the company's lineup of Caribbean cruises.

With more than $15 billion in annual revenues, Carnival will have to sell a lot of Cuban cruises to move the sales needle. But analysts expect Carnival's earnings per share to climb by 28% in its fiscal year that ends in November 2016—healthy growth with or without Cuba. The shares yield 2.4%, compared with 2.2% for Standard & Poor's 500-stock index.

Airlines such as **AMERICAN AIRLINES GROUP (AAL, $39)** and Panama-based **COPA HOLDINGS (CPA, $42)** could pick up Cuban business, too. With a major hub in Miami, American offers more charter flights to Cuba than any major U.S. carrier. It's starting charter service from Los Angeles and says it's ready to begin regular commercial flights once they're allowed. Even then, Cuban business would likely represent a tiny fraction of American's $42.6 billion in annual revenues. Meanwhile, American's stock looks exceptionally cheap, selling for just 5 times estimated earnings.

Copa is already the largest foreign airline in Cuba, with six flights to and from the island daily. Cuba trips accounted for just 1.3% of its 2014 revenue of $2.7 billion, and sales have been hammered by a slowdown in Latin American travel. Still, Copa looks "poised to profit from any pickup in flights" to Cuba, according to a report by the Herzfeld Caribbean Basin Fund (CUBA), a closed-end fund that was set up in 1993 to try to profit from Cuba-related businesses. At last word, Copa was its top holding.

A building boom in Cuba could benefit **VULCAN MATERIALS (VMC, $89)**, the largest U.S. producer of construction materials such as crushed stone, gravel, asphalt and concrete. Along with more than 440 production sites in the U.S, the company runs a large quarry and marine terminal on Mexico's Yucatán Peninsula—a prime location for exports to Cuba. Vulcan's profits have rallied with the recovery in U.S. housing. The stock is pricey, at 32 times estimated year-ahead earnings. But Vulcan may deserve the rich valuation, as analysts expect the company's profits to soar 66% in 2016, to $3.47 per share.

Several Mexican companies may also be Cuba winners. Latin American telecom giant **AMERICA MOVIL (AMX, $17)**, cement maker **CEMEX (CX, $7)** and soft drink bottler **COCA-COLA FEMSA (KOF, $69)** look well positioned to gain sales in Cuba, according to the Herzfeld fund. Mexican stocks, along with other emerging markets, have performed poorly over the past year, and these three, which trade in the U.S. as American depositary receipts, are no exception. But the companies are all leaders in their respective industries and should recover over time. A few years from now, Americans might even get to toast their gains over Cuba Libre cocktails in a Havana beach cabana. ■

CLOCKWISE FROM TOP: COURTESY CARNIVAL, BLOOMBERG/GETTY IMAGES, COURTESY AMERICAN AIRLINES

Wall Street Is Wrong on REITs

LISE METZGER

Sometimes Wall Street reminds me of my late border collie, Patch. A story in the *Wall Street Journal* once described border collies, which are incredibly intelligent animals that are born to herd, as "obsessive-compulsive workaholics." Just as the stock market typically leads the economy—that is, share prices tend to turn down before a recession and start to rebound before a recovery—border collies want to lead their flock, whether it consists of sheep, cows or people, in a decisive and orderly way.

But because we had no sheep, Patch was always trying to lead me and my kids. We, of course, had minds of our own and went our own way. That left Patch looking over his shoulder and jumping to switch direction so he could stay ahead of us. Every once in a while, he'd look back at me soulfully as if to say: "I could lead you so much better if you'd just tell me where the heck you're going."

I imagine Wall Street feels much the same about Federal Reserve Chair Janet Yellen. If only she would clearly state where the Fed was going and what, specifically, it plans to do about short-term interest rates, Wall Street could lead investors in a decisive and orderly way. But because she hasn't, investors keep changing course. The result is that share prices—including, surprisingly, those of stocks with high dividend yields—have been jumping around like pogo sticks. As my son used to say to Patch, "You need to chill out, dude."

Why would I want Wall Street to chill? Because the Street, which is in a tizzy over coming interest-rate hikes that are likely to be far more restrained than the pessimists expect, is putting undue pressure on share prices of real estate investment trusts. I like REITs because they are required to distribute at least 90% of their earnings as dividends, so they provide shareholders with a lot of income. I own three of them in my Practical Investing portfolio: **APOLLO COMMERCIAL REAL ESTATE FINANCE (SYMBOL ARI, $16, YIELD 11.2%)**, **STARWOOD PROPERTY TRUST (STWD, $21, 9.4%)** and **STARWOOD WAYPOINT RESIDENTIAL TRUST (SWAY, $24, 3.2%)**, which Starwood Property spun off in 2014.

Even before the onset of the stock market correction, REITs were having a rough year. Shares of property-owning REITs began to slide in late January, four months before Standard & Poor's 500-stock index peaked. In the first nine months of 2015, property-owning REITs lost 3.8%, on average, and REITs that invest in mortgages, as Apollo and Starwood Property do, surrendered 7.9%, on average (the figures include dividends). REIT performance wasn't dramatically out of line with the overall stock market; the S&P 500 has lost 5.3%, year to date. (All prices and returns are through September 30.)

Rate fears. With their high dividend yields, you might think real estate stocks would have held up better. They haven't because investors are worried about the Fed's impending rate hikes and how they would affect high-yielding investments, including REITs. After all, if rates rise sharply, such safe investments as money market funds will pay more and will make REITs seem less attractive. Moreover, because real estate companies borrow money to finance their purchases, rising rates would also likely squeeze their profit margins.

The economy, though, is not growing robustly enough to warrant dramatically higher interest rates. Yellen and crew will probably raise short-term rates by 0.25 percentage point this year, but it may take a while before the Fed pulls the trigger again. In the meantime, such a measly hike won't provide much competition for my high-yielding REITs, so it looks as if Wall Street is overreacting. We never let Patch lead us astray; you shouldn't let Wall Street lead you down the wrong path, either. ■

> **"The Street is in a tizzy over coming interest-rate hikes that are likely to be far more restrained than the pessimists expect."**

KATHY KRISTOF IS A CONTRIBUTING EDITOR TO *KIPLINGER'S PERSONAL FINANCE* AND AUTHOR OF THE BOOK *INVESTING 101*. YOU CAN SEE HER PORTFOLIO AT KIPLINGER.COM/LINKS/PRACTICALPORTFOLIO.

THE KIPLINGER ETF 20 UPDATE

Rising Rates? No Worries

ONCE INTEREST RATES BEGIN TO RISE meaningfully—and yes, they will someday—prices of most bonds and the funds that own them will come under pressure. One Kiplinger ETF 20 member that should stay afloat is **POWERSHARES SENIOR LOAN PORTFOLIO**. The exchange-traded fund boasts a 5.5% yield, well above the 2.3% average for investment-grade U.S. bonds.

PowerShares holds loans made by banks to heavily indebted firms with poor credit ratings. These junk-rated borrowers are charged "floating" interest rates that are typically tied to a short-term benchmark: the London Interbank Offered Rate, or LIBOR. When LIBOR rises above a certain level, rates on these loans bump up, helping them hold their value better than bonds. Between June 29, 2004, and June 29, 2006, the last period during which the Federal Reserve was lifting short-term rates, the bank-loan market gained a total of 5.8%, according to investment firm Lord Abbett. The bond market, as measured by the Barclays U.S. Aggregate Bond index, earned 3.1% over that period. (Though bond prices and rates move in opposite directions, the Barclays index was in the black because interest payments more than offset declines in bond prices.) Another plus for bank loans: If a borrower defaults, the bank gets paid ahead of bond- and stockholders.

But that doesn't mean nothing can go wrong. Although this ETF should hold up well as rates rise, it comes with other risks you shouldn't overlook. The main concern is that the $836 billion loan market sits on a tinderbox of shaky balance sheets. In 2008, floating-rate bank loan prices collapsed by an average of 32% as the default rate on loans approached 10%. Defaults are now running at a rate of 1.3%. But the number of loans to firms with weak finances has risen sharply in recent years, and it's getting harder for these businesses to "maintain their debt burdens," says Christopher Graff, director of asset management at RMB Capital Management in Chicago.

Moreover, when the Fed finally begins to raise short-term rates (likely in the fourth quarter of 2015), the yield on the PowerShares ETF probably won't budge. Loans in the index it tracks have an average interest rate "floor" of about 1%. That means short-term rates, currently near 0%, would have to rise above that level for a loan's rate to reset higher. Assuming that the Fed raises rates at a gradual pace, it would likely take another year for that to happen, says Zane Brown, a fixed-income strategist with Lord Abbett.

So despite the potential dangers, we continue to recommend the PowerShares ETF, which we think provides a reasonable trade-off between current income and risk. If the U.S. economy continues to expand moderately—Kiplinger forecasts 2.8% growth in 2016—default rates should stay low. And if interest rates do edge up, the ETF should hold its value. **DAREN FONDA**

Returns, Fees, Free Trades

KIPLINGER ETF 20: VITAL STATISTICS

Fund	Symbol	Recent price	Annualized total returns 1 yr.	3 yrs.	5 yrs.	Yield	Exp. ratio	Commission-free trades
CORE STOCK MARKET FUNDS								
iShares Core S&P 500	IVV	$193	–0.7%	12.4%	13.2%	2.1%	0.07%	F, FT, TD
iShares Core S&P Mid-Cap	IJH	137	1.4	13.1	12.8	1.5	0.12	F, FT, TD
iShares Core S&P Small-Cap	IJR	107	3.6	13.0	14.0	1.4	0.12	F, TD
Vanguard FTSE Devel Markets	VEA	36	–7.8	6.0	4.2	NA	0.09	TD, V
Vanguard FTSE Emerg Mkts	VWO	33	–18.3	–4.6	–3.4	NA	0.15	FT, TD, V
Vanguard Total Intl Stock	VXUS	44	–11.2	3.1	—	NA	0.14	V
Vanguard Total Stock Market	VTI	99	–0.6	12.4	13.3	2.0	0.05	TD, V
DIVIDEND STOCK FUNDS								
iShares US Preferred Stock	PFF	$39	3.7%	5.2%	5.8%	5.4%	0.47%	F
Schwab US Dividend Equity	SCHD	36	–4.0	10.9	—	3.2	0.07	S
Vanguard High Dividend Yield	VYM	63	–2.7	10.9	13.4	3.4	0.10	TD, V
WisdomTree Intl LgCap Div	DOL	42	–12.0	4.0	3.2	3.3	0.48	E
CORE BOND FUND								
iShares iBonds Mar 2020 Corp	IBDC	$105	3.5%	—	—	2.3%	0.10%	
OPPORTUNISTIC STOCK FUNDS								
Financial Select Sector SPDR	XLF	$23	–0.4%	15.3%	11.4%	1.9%	0.15%	
Guggen S&P 500 Eq Wt Health	RYH	141	9.4	22.5	20.3	NA	0.40	S
Vanguard Information Tech	VGT	100	2.0	12.5	13.8	1.4	0.12	V
WisdomTree Euro Hedged Eq	HEDJ	55	0.3	11.9	7.3	2.0	0.58	E
OPPORTUNISTIC BOND FUNDS								
iShares J.P. Morgan USD EM Bd	EMB	$106	–1.4%	0.1%	3.7%	5.4%	0.40%	F
Market Vectors Fallen Angel HY	ANGL	26	–1.8	5.2	—	6.0	0.40	
Pimco Total Return Active	BOND	105	2.3	2.5	—	2.6	0.55	
PowerShares Senior Loan Port	BKLN	23	–1.4	1.5	—	5.5	0.65	S
INDEXES								
S&P 500-STOCK INDEX (large U.S. stocks)			**–0.6%**	**12.4%**	**13.3%**	**2.3%**		
MSCI EAFE INDEX (foreign stocks)			**–8.3%**	**6.1%**	**4.4%**	**3.3%**		
BARCLAYS US AGGREGATE BOND INDEX			**2.9%**	**1.7%**	**3.1%**	**2.3%**		

Key: E=E*Trade F=Fidelity FT=Firstrade S=Schwab TD=TD Ameritrade V=Vanguard

Through September 30. NA Not available. —Fund not in existence for the entire period. SOURCE: © 2015 Morningstar Inc.

Be like a kid in an ETF candy store.

Get more choices for your portfolio.

We think investors should have lots of choices. So we offer ETFs to help diversify and balance out portfolios. You can even choose from a select list of funds independently researched by Morningstar Associates. Plus, we have over 100 ETFs that can be traded commission-free. How sweet is that?

Get up to $600 when you open a new account. Learn how to make ETFs a part of your investment strategy at tdameritrade.com/etf

TD Ameritrade®
you got this.

Carefully consider the investment objectives, risks, charges, and expenses before investing. A prospectus, obtained by calling 800-669-3900, contains this and other information about an investment company. Read carefully before investing.

Service and exception fees still apply. ETFs can entail risks similar to direct stock ownership, including market, sector, or industry risks. To trade commission-free ETFs, you must be enrolled in the program. If you sell an eligible ETF within 30 days of its being purchased commission-free, a short-term trading fee will apply. Market volatility, volume, and system availability may delay account access and trade executions.

Morningstar Associates, LLC, a registered investment advisor and wholly owned subsidiary of Morningstar, Inc., selects commission-free ETFs from the universe of ETFs made available through TD Ameritrade, a universe which does not include all ETFs available in the marketplace. Particular commission-free ETFs may not be appropriate investments for you, and there may be other ETFs or investment options offered by TD Ameritrade that are more suitable. Morningstar Associates is not affiliated with TD Ameritrade. The Morningstar name and logo are registered marks of Morningstar, Inc.

FUND SPOTLIGHT

Winning With Tiny Companies

A nine-person committee approves every stock James Micro Cap buys and sells.

OVER THE PAST YEAR, SMALL-COMPANY value funds have provided little value for their shareholders. On average, funds that focus on cheap small-capitalization stocks lagged both the small-cap Russell 2000 index and Standard & Poor's 500-stock index, which tracks big-company stocks. One small-cap fund that bucked the trend was **JAMES MICRO CAP**, which whipped the category average by nearly 11 percentage points.

As its name indicates, James invests in the smallest of the small. Managers Brian Culpepper, Trent Dysert and David James begin their search for potential winners by screening about 1,300 stocks with market caps of $1.4 billion or less. They assign each stock a score based on 27 factors, including price-earnings ratio, price-to-book-value ratio and relative strength, a measure of how a stock is performing compared with the broad market. Stocks scoring in the top 10% qualify for purchase. But every stock that enters (or leaves) the portfolio must win approval from a majority of a nine-person committee that includes the three managers.

The committee also dictates an overarching investment strategy. Based on the group's 2015 outlook, the managers pared back holdings in energy and other commodity stocks, one reason the fund has performed well lately. Top holdings include such obscure names as ePlus and Covenant Transportation Group. **RYAN ERMEY**

SMALL-COMPANY VALUE FUNDS Ranked by one-year returns

Rank/Name	Symbol	Annualized total return through Sept. 30 1 yr.	3 yrs.	5 yrs.	Max. sales charge	Exp. ratio	Toll-free number
1. Deutsche Small Cap Core A@	SZCAX	**9.0%**	13.4%	13.5%	5.75%s	1.38%	800-728-3337
2. James Micro Cap	JMCRX	**7.7**	16.1	11.9	2.00r	1.50	800-995-2637
3. Fidelity Small Cap Value@**	FCPVX	**7.4**	14.5	13.0	1.50r	1.12	800-343-3548
4. Victory Sycamore Small Co Opp A@	SSGSX	**5.3**	12.4	12.2	5.75	1.31	800-539-3863
5. CornerCap Small Cap Value	CSCVX	**5.2**	13.8	13.1	1.00r	1.30	888-813-8637
6. American Beacon Zebra Sm Cap Eq Inv@	AZSPX	**3.1**	12.2	12.1	none	1.37	800-658-5811
7. Northern Small Cap Value	NOSGX	**3.1**	11.7	12.1	none	1.00	800-595-9111
8. American Century Small Cap Value Inv@	ASVIX	**3.1**	11.2	10.6	none	1.24	800-345-2021
9. Emerald Small Cap Value Investor@	LSRIX	**2.8**	—	—	2.00r	1.25	855-270-2673
10. Queens Road Small Cap Value	QRSVX	**2.7**	10.3	8.3	none	1.24	800-595-3088
RUSSELL 2000 INDEX		**1.3%**	**11.0%**	**11.7%**			
CATEGORY AVERAGE		**−2.9%**	**10.2%**	**10.3%**			

20 LARGEST STOCK MUTUAL FUNDS Ranked by size

Rank/Name	Symbol	Assets† (in billions)	Annualized total return through Sept. 30 1 yr.	3 yrs.	5 yrs.	Max. sales charge	Toll-free number
1. Vanguard Total Stock Market Idx Inv@	VTSMX	**$318.7**	−0.7%	12.3%	13.2%	none	800-635-1511
2. Vanguard Total Intl Stock Idx Inv@	VGTSX	**169.6**	−10.8	3.1	2.1	none	800-635-1511
3. Vanguard 500 Index Inv@	VFINX	**167.0**	−0.8	12.2	13.2	none	800-635-1511
4. American Growth Fund of America A@	AGTHX	**135.4**	0.5	13.5	12.6	5.75%	800-421-0180
5. American EuroPacific Growth A@	AEPGX	**119.8**	−5.2	6.0	4.2	5.75	800-421-0180
6. Fidelity Contrafund@	FCNTX	**103.4**	3.3	13.2	13.3	none	800-343-3548
7. American Capital Income Builder A@	CAIBX	**92.0**	−4.1	5.5	6.7	5.75	800-421-0180
8. American Income Fund of America A@	AMECX	**90.4**	−4.1	7.0	8.4	5.75	800-421-0180
9. Fidelity Spartan 500 Index Inv@	FUSEX	**84.7**	−0.7	12.3	13.3	none	800-343-3548
10. Vanguard Wellington@‡	VWELX	**84.4**	−0.8	8.5	9.3	none	800-635-1511
11. Franklin Income A@	FKINX	**82.8**	−10.9	3.3	5.8	4.25	800-632-2301
12. American Capital World Gro & Inc A@	CWGIX	**80.0**	−6.0	8.3	7.2	5.75	800-421-0180
13. American Balanced A@	ABALX	**79.2**	−0.1	9.1	10.2	5.75	800-421-0180
14. American Washington Mutual A@	AWSHX	**71.6**	−3.8	11.1	12.3	5.75	800-421-0180
15. American Invstmt Co of America A@	AIVSX	**69.0**	−4.5	11.7	11.3	5.75	800-421-0180
16. American Fundamental Inv A@	ANCFX	**67.7**	−1.6	11.9	11.7	5.75	800-421-0180
17. Dodge & Cox International Stock**	DODFX	**62.9**	−16.2	6.6	4.1	none	800-621-3979
18. American New Perspective A@	ANWPX	**56.2**	0.3	10.4	9.4	5.75	800-421-0180
19. Dodge & Cox Stock	DODGX	**56.1**	−6.6	13.4	13.0	none	800-621-3979
20. Vanguard Mid Cap Index Inv@	VIMSX	**50.2**	1.6	14.5	13.5	none	800-635-1511
S&P 500-STOCK INDEX			**−0.6%**	**12.4%**	**13.3%**		
MSCI EAFE INDEX			**−8.3%**	**6.1%**	**4.5%**		

@Rankings exclude share classes of this fund with different fee structures or higher minimum initial investments. **Closed to new investors. †For all share classes combined. ‡Open to new investors if purchased directly through Vanguard. sFront-end load; redemption fee may apply. rMaximum redemption fee. Russell 2000 index tracks small-company stocks. MSCI EAFE index consists of developed foreign stock markets. SOURCES: Morningstar Inc., Vanguard.

EXPLANATION OF TERMS

Total return assumes reinvestment of all dividends and capital gains; three- and five-year returns are annualized. Returns reflect ongoing expenses but not sales charges.

Maximum sales charge A figure without a footnote means the commission is deducted from the money you send to the fund. A figure with an *r* is the maximum redemption fee charged when you sell shares. Funds that charge both sales and redemption fees are footnoted with an *s* next to the front-end load.

Expense ratio is the percentage of assets claimed annually for operating a fund.

Use our winning picks as a shopping list for every facet of your financial life.

TYPOGRAPHY BY JEFF ROGERS

INVEST IN BUILDER LENNAR AND YOU WON'T HAVE TO SWEAT SWINGS IN THE DOLLAR. THE COMPANY GETS ALL OF ITS REVENUES IN THE U.S.

COURTESY LENNAR

INVESTING

BEST PURE-PLAY DOMESTIC STOCKS An appreciating dollar hurts multinational companies because it makes U.S. goods more expensive to buy in foreign lands. It also erodes the value of sales and profits generated overseas when they are converted from local currencies to greenbacks. If the dollar continues to strengthen, you may be better off investing at home—or, rather, in the stocks of homebuilders. For instance, both **DR HORTON (SYMBOL DHI, $29)** and **LENNAR CORP. (LEN, $48)** generate 100% of their revenues in the U.S. (Prices are through September 30.) Sales of new homes are gathering steam, so analysts expect both companies to generate double-digit-percentage profit growth this year and next.

BEST TAKEOVER CANDIDATES With buyout activity on track to set a record in 2015, it's a good time to try your hand at divining the next big deal. If you're right, you could make a quick killing. Goldman Sachs has a list of 197 possible takeover candidates. But because the odds of a takeover actually occurring are low, we searched for stocks that could perform well even if a deal doesn't materialize. So we culled Goldman's list for companies that most Wall Street analysts rate as "buys" and that trade for at least 40% less than analysts' average 12-month price targets.

A lot of deals are occurring in biotech, where big outfits often find it easier to buy a company and its products than to develop their own. Our top candidates are **ANACOR PHARMACEUTICALS (ANAC, $118)** and **ATARA BIOTHERAPEUTICS (ATRA, $31)**. Outside of biotech, we suggest **FRESHPET (FRPT, $11)**, a maker of pet food that could be a tempting target for a large consumer-products company.

BEST BUFFETT ALTERNATIVE Like Warren Buffett's Berkshire Hathaway, **MARKEL CORP. (MKL, $802)** is in the insurance business, specializing in niche areas such as summer camps and racehorses. Markel also makes strategic, long-term investments in companies ranging from bakeries to homebuilders to makers of dredging equipment. Over the past year,

PICKS FOR NERVOUS INVESTORS

STOCK FUND PARNASSUS CORE EQUITY (PRBLX) held up better than the overall stock market during the 2007–09 bear market (when the S&P 500 plunged 55%) and during the 2015 correction (a 12% decline). The fund uses screens to filter out companies involved in tobacco, liquor, weapons and nuclear power, among other things.

BOND FUND VANGUARD SHORT-TERM INVESTMENT GRADE FUND (VFSTX), a member of the Kiplinger 25, should weather an interest-rate rise well. And as its name suggests, you won't have to worry about credit woes should the economy weaken. Yield: 1.9%.

STOCKS If you worry that the market's recent swoon isn't over but want to keep some skin in the game, then buy stocks that have a record of holding up better than most in down markets. Three companies to consider: tobacco giant ALTRIA GROUP (MO, $54); EDISON INTERNATIONAL (EIX, $63), parent of electric utility Southern California Edison; and aerospace and technology giant LOCKHEED MARTIN (LMT, $207). Each of the stocks showed its mettle during the May–August correction by faring better than the overall market. All three boast above-average dividend yields and get high marks from Wall Street analysts.

Markel's stock soared 26%, while shares of Berkshire (BRK.B, $130) sank 6%.

▶ **FUNDS FOR LOW FEES** With 0.09% in annual fees, **FIDELITY SPARTAN 500 INDEX (FUSEX)**, which tracks the S&P 500, is among the cheapest mutual funds around. Among ETFs, we favor **VANGUARD TOTAL STOCK MARKET (VTI)**, a member of the Kip ETF 20. It tracks the entire U.S. stock market, charging only 0.05% in annual fees.

▶ **ONE-AND-DONE MUTUAL FUND** **T. ROWE PRICE GLOBAL ALLOCATION (RPGAX)** offers all the asset classes you need in one fund. Launched in May 2013, the fund at last report held 24% of its assets in domestic stocks, 32% in foreign stocks, 29% in bonds, 9% in alternative investments and 6% in cash.

▶ **ONLINE ADVISERS**

...for conservative investors **SCHWAB INTELLIGENT PORTFOLIOS** offer advice that will appeal to the risk-averse. In our test of online advisers, Schwab prescribed a relatively modest 65% allocation to stocks for a 25-year-old investor with an average tolerance for risk. The minimum investment is $5,000, and Schwab doesn't charge a management fee. (See "Is a Robo Adviser Right for You?" Aug.)

...for investors just starting out **BETTERMENT** and **WEALTHFRONT** have low minimum requirements. On assets of less than $10,000, Betterment charges 0.35% per year; Wealthfront is free.

...for investors with more-complex finances **VANGUARD'S PERSONAL ADVISORY SERVICES** has a $50,000 minimum, but you get access to a certified financial planner who not only manages your portfolio but also offers comprehensive financial-planning advice. The service costs 0.30% of assets under management.

ADVICE

▶ **STOCK MARKET LETTER** **INVESTECH RESEARCH** (www.investech.com; four-issue trial, $39), which promises "safety-first profits," has bested the overall stock market over the long haul with less risk. Publisher James Stack analyzes economic, monetary and market data (some going back more than 100 years) to make market calls and recommend allocations.

▶ **INVESTING BLOG** Economist and strategist Ed Yardeni, head of Yardeni Research, provides sophisticated yet accessible analysis of unfolding economic, political and market-related developments in **DR. ED'S BLOG** (www.blog.yardeni.com). Subjects range from company earnings to the Federal Reserve to analysis of stock, bond and other markets.

▶ **INVESTING TWITTER FEED** Bespoke Investment Group **@BESPOKEINVEST**, a research and money management firm, helps investors sift through the market morass by sending out tweets stuffed with charts, graphs and tables that give plenty of context for the day's market and economic news.

DIVIDENDS GALORE

▶ **DIVIDEND GROWTH ETF** **WISDOMTREE U.S. QUALITY DIVIDEND GROWTH FUND (DGRW)** holds shares of 293 dividend-paying firms with solid profit growth. Though the exchange-traded fund yields only 2.3%, slightly above the S&P 500's 2.2% yield, it's packed with technology- and consumer-related firms that are likely to hike their dividends as earnings climb.

▶ **HIGH-YIELD ETF** Many dividend ETFs load up on utilities. The **ISHARES CORE HIGH DIVIDEND ETF (HDV)** spreads its bets, squeezing out a 3.5% yield by focusing on health care, energy and retail companies. Although its 20% weighting in energy stocks has hurt returns lately, that stake will help once oil prices recover.

▶ **DIVIDEND GROWTH MUTUAL FUND** Over the past decade, **VANGUARD DIVIDEND GROWTH (VDIGX)**, a Kip 25 member, returned 8.4% annualized. That beat 97% of its peers—funds that invest in large-company stocks with growth and value characteristics.

▶ **DIVIDEND STOCKS** **MICROSOFT (MSFT, $44)** yields 3.2% and has a whopping $96.5 billion of cash on its balance sheet—plenty of money with which to keep hiking the dividend. CEO Satya Nadella is slashing costs to help boost profits and is steering the software giant toward hot tech areas, such as cloud computing and mobile products. Payroll processor **PAYCHEX (PAYX, $48)**, which handles payrolls for 590,000 small and midsize businesses, yields 3.5% and should fare well as long as the economy keeps expanding. Higher short-term interest rates would boost the money Paychex makes on cash held for customer payrolls, potentially lifting profits higher. Plunging oil prices didn't stop **EXXONMOBIL (XOM, $74)** from raising its dividend this year—its 33rd consecutive annual boost. Even if oil prices don't recover much, Exxon should make more than enough money to keep the dividend streak going next year. The stock yields 3.9%.

■ MICROSOFT YIELDS A GENEROUS 3.2%.

COURTESY MICROSOFT

THE BBVA COMPASS NBA AMERICAN EXPRESS CARD EARNS POINTS ON NBA PURCHASES.

CREDIT CARDS

▶ **CASH BACK** The no-fee **CITI DOUBLE CASH** card pays 1% when you make a purchase and another 1% when you pay the bill, to return an impressive 2% on all your spending. With the **AMERICAN EXPRESS BLUE CASH PREFERRED** card, you'll easily earn back the $75 annual fee with its 6% cash back on up to $6,000 in supermarket purchases annually (1% thereafter), plus 3% on gas and qualifying department-store purchases and 1% on everything else. Spend $1,000 in the first three months and you get a $150 statement credit.

▶ **TRAVEL** Earn 1.5 points on every purchase with the no-fee **BANKAMERICARD TRAVEL REWARDS** card and three points per dollar when you book travel through the Bank of America Travel Center. You can use points for statement credits on travel purchases at a rate of 100 points per dollar. The **CHASE SAPPHIRE PREFERRED** card's $95 annual fee is waived the first year, but its rewards make the fee worth paying after that. You'll earn two points per dollar on travel and dining and one point on everything else. You can transfer points to several loyalty programs, including Southwest Airlines Rapid Rewards and Amtrak Guest Rewards.

▶ **PREPAID** The **BLUEBIRD FROM AMERICAN EXPRESS AND WALMART** card charges no fees, aside from $2.50 for each out-of-network ATM transaction. The mobile app has new tools to let you track and categorize spending and set monthly limits. Consider the **AMERICAN EXPRESS SERVE CASH BACK** card if you expect to charge more than $595 a month on it; with 1% cash back on all purchases, you'll cancel out the $5.95 monthly fee.

▶ **BALANCE TRANSFER** Pay no balance transfer fee with the **CHASE SLATE** card as long as you move the money within 60 days of the card's issue. Plus, there's no annual fee, and the annual percentage rate is 0% for the first 15 months. **CITI SIMPLICITY** charges a fee of $5 or 3% of the balance (whichever is larger) for balance transfers, but the introductory 0% APR continues for a lengthy 21 months. And the card charges no annual or late-payment fees and no penalty APR for missing a payment.

▶ **SPORTS FANS** The **BBVA COMPASS NBA AMERICAN EXPRESS** card is a slam-dunk for basketball fans. You get three points per dollar spent on NBA purchases (including qualifying tickets and in-stadium transactions), two points on gas and groceries, and one point on everything else.

BANKS

▶ **SAVINGS ACCOUNT** The **MYSAVINGSDIRECT** online savings account recently paid a 1.1% interest rate. There's no monthly fee and no minimum balance requirement, making it a prime place to stash an emergency fund.

▶ **HIGH-YIELD CHECKING** You can earn up to 5.1% interest on up to $20,000 with the **CONSUMERS CREDIT UNION (ILLINOIS) FREE REWARDS CHECKING** account by meeting certain conditions, such as using your debit card 12 times monthly, signing up for direct deposit and using one of the credit union's Visa credit cards. Out-of-network ATM fees levied by other institutions are reimbursed.

▶ **NO-STRINGS CHECKING** The **BANK5CONNECT HIGH INTEREST CHECKING** account requires a balance of only $100 to earn a 0.76% interest rate. Out-of-network fees incurred at other banks' ATMs are refunded up to $15 a month.

▶ **ONLINE BANK** **ALLY BANK'S** free checking account reimburses $10 worth of out-of-network ATM fees a month and yields up to 0.6%. The bank's savings account, money market deposit account and CDs also pay healthy rates. Among credit unions, **ALLIANT** offers a free, no-minimum checking account that reimburses up to $20 in monthly out-of-network ATM fees; with electronic statements and one monthly direct deposit, you'll earn 0.65% interest. The savings account pays 0.95% on balances of $100 or more.

▶ **MOBILE BANK** The **SIMPLE** checking account, which operates primarily through a mobile app, recently removed all fees. Use its budgeting tool to create savings goals and monitor spending.

FRED VUICH/GETTY IMAGES

MONEY

▶ **FREE CREDIT SITE**
CREDIT KARMA provides VantageScore credit scores from two of the three major credit bureaus, Equifax and TransUnion. Plus, you can see updated information from your credit report from both bureaus. Sign up for monitoring of your TransUnion report to get alerts of changes, such as a new account in your name.

▶ **SAVING MOTIVATOR**
With the **SMARTYPIG** savings account, you can create a savings goal—say, an emergency fund or vacation. When you reach your goal, you can transfer the money back to the bank account you used to fund SmartyPig, put it on a retail gift card with a cash bonus of up to 11%, or choose some combination of the two. The savings account pays 0.75% interest, too.

▶ **DONOR-ADVISED FUND**
Contributions to a donor-advised fund are eligible for a charitable tax deduction immediately, but you have an unlimited amount of time to decide which charities to support. **FIDELITY CHARITABLE** lets you start with only $5,000, and the annual administrative fee is a thrifty 0.6% of assets. Fidelity even has a team of attorneys to help you contribute complex assets, such as real estate.

▶ **CONSOLIDATE YOUR IRAs** If you transfer an IRA worth $10,000 or more to **FIDELITY INVESTMENTS**, it will match your annual contributions for three years. The match ranges from 1% to 10%, depending on the value of the IRA transferred, up to $1,950. (The offer doesn't apply to 401(k) rollovers.)

▶ **REMODELS FOR THE MONEY** Everyone loves a new kitchen or bathroom, but curb appeal rules in the 2015 *Remodeling Magazine* survey. The best return among 23 midrange projects is an **ENTRY DOOR REPLACEMENT**. A steel door recouped 102% of the average job cost ($1,230 nationally) when the home was sold. That's followed by a **MANUFACTURED STONE VENEER** (92% of $7,150), a **GARAGE DOOR REPLACEMENT** (88% of $1,595) and **SIDING REPLACEMENT** (fiber cement; 84% of $14,014).

TOOLS TO PREVENT ID THEFT

▶ **ID PROTECTION SERVICE** IDENTITY GUARD TOTAL PROTECTION ($20 monthly) tops its peers, based on tests by NextAdvisor, which evaluates providers. The service monitors your credit report with all three of the major credit agencies, provides score updates, and scans Internet black markets for your Social Security number and bank account and credit card numbers.

▶ **PASSWORD MANAGER** DASHLANE stores and encrypts passwords. Plus, the free program will alert you if a site you use is hacked. For $40 a year, you can sync your account information across multiple devices.

▶ **ANTIVIRUS SOFTWARE** Antivirus software from AVIRA scored high marks in testing by the AV-TEST Institute, which evaluates security software. Avira has free software for Windows, but for superior protection, go with Antivirus Pro for $45 annually. Avira's only antivirus product for Mac is free.

▶ **PERSONAL VPN** For $40 a year (or $7 a month), PRIVATE INTERNET ACCESS encrypts your Web activity over public Wi-Fi networks and masks your IP address with an anonymous one. You can use it on five devices at once.

▶ **TEXT AND VOICE-MAIL ENCRYPTION** With mobile app THREEMA ($1.99 for Windows phone and Apple devices; $2.49 for Android), you can send encrypted text messages, recorded voice messages (but not phone calls), photos, videos and even PDF files to other users of the app without worry that snoops will intercept your conversations. To remain anonymous, you can opt not to link your phone number or e-mail address to the app.

ISTOCKPHOTO.COM

EDUCATION

▶ **COLLEGE SAVINGS PLAN** If **YOUR STATE** offers a tax incentive for contributing to its 529 plan, the break will usually trump lower fees in an out-of-state program. If your state doesn't offer a tax break, or if you live in Arizona, Kansas, Maine, Missouri, Montana or Pennsylvania, which offer a tax break no matter where you invest, look for a state plan that fits your investing style. For low fees, we like **NEW YORK'S 529 COLLEGE SAVINGS PROGRAM**. This plan charges no annual fees, and the underlying funds carry an average expense ratio of only 0.16%. But you don't get a lot of choices. If you're a hands-on investor, choose the **UTAH EDUCATIONAL SAVINGS PLAN**, which lets you create a portfolio that automatically adjusts to your investment selections in three-year intervals as your child ages.

▶ **FAST FINANCIAL AID ESTIMATOR** The **QUICK EFC CALCULATOR** at Finaid.org makes it easy to get a rough idea of your expected family contribution. After filling in 10 fields, you'll get an estimate that generally comes within $500 of the actual result, according to Finaid.org.

▶ **MAJOR FOR STARTING SALARY** **PETROLEUM ENGINEERING** ranks first for earnings potential, with a median annual starting salary of $101,000, according to a survey by PayScale.com. Of the 10 top-earning majors for starting salary, nine are in engineering.

▶ **STUDENT-LOAN MANAGEMENT TOOL** **IONTUITION** helps students and recent grads organize and track their student loans and evaluate repayment options, and it will alert you if your loan status or loan servicer changes. The free tool's chat feature connects you with loan counselors who can help you pick the best repayment strategy.

PHONE PLANS

▶ **FAMILIES** Superior network coverage from **VERIZON WIRELESS** means minimal frustration due to dropped calls or crawling data speeds—especially for families scattered all over the map. Four people with smartphones can get unlimited talk and texting and share 6 gigabytes of data for $140 per month without a contract if they all pay full price for their devices.

▶ **DATA GOBBLERS** For $80 a month, the **T-MOBILE SIMPLE CHOICE UNLIMITED** plan provides unlimited talk, texting and 4G LTE data (the fastest type). T-Mobile slows data speed only in the unlikely event that you use more than 23 gigabytes in a month.

▶ **BARGAIN HUNTERS** With **REPUBLIC WIRELESS**, you can choose to rely solely on Wi-Fi for voice, text and data ($5 a month) or to tap the cellular network for backup. Unlimited talk and texting with network backup is $10 a month, and you can add data packages for an extra fee. You'll be refunded the price of any network data you don't use.

▶ **BEST WAY TO BUY AN IPHONE IF YOU WANT TO**

...upgrade every year With the **SPRINT IPHONE FOREVER** plan, you'll pay $15 per month for the 16GB iPhone 6s ($19 a month for the iPhone 6s Plus) if you trade in any smartphone by December 31 (the standard rate for the 6s model is $22 a month). You can trade up to a new device anytime you don't have the latest iPhone. Sprint beats Apple's iPhone upgrade program, whose monthly fee ranges from $32.41 to $44.91 (depending on the model) but comes with AppleCare+.

...keep the device price low Two-year contracts are going the way of the rotary dial, but new **AT&T WIRELESS** customers can still sign a two-year contract and get the 16GB iPhone 6s for $200. You'll pay a higher monthly service fee.

...own the phone with no contract **COSTCO** ($55 annually for Gold Star membership) recently offered a 16GB iPhone 6s for T-Mobile at the standard $650 but with a $100 rebate.

SUPERIOR NETWORK COVERAGE FROM VERIZON WIRELESS MAKES IT A GREAT CHOICE FOR FAMILIES.

ISTOCKPHOTO.COM, MINT IMAGES/TIM ROBBINS/GETTY IMAGES

TECH GIFTS

▶ **FITNESS BAND** The **FITBIT CHARGE HR** ($150) packs a lot of features into a wristband. It tracks steps traveled, flights of stairs climbed, heart rate and sleep habits, and the small display shows your personal stats, identifies incoming calls to your cell phone and doubles as a watch.

THE LG WATCH URBANE KEEPS YOU CONNECTED EVEN WHEN YOU'RE AWAY FROM YOUR PHONE.

▶ **SMART WATCH** Limited battery life is an issue with the **APPLE WATCH**. But if you're an iPhone user, the Sport (starting at $349) brings Apple Pay, iMessage and, of course, Siri to your wrist. Among competitors, our favorite is the **LG WATCH URBANE** ($350). It's compatible with Android and Apple phones, can run up to two days between charges, and receives calls, texts and e-mails. You can stay connected even when you're away from your phone because the watch uses Wi-Fi to connect to your phone remotely.

▶ **INSTANT CAMERA** The iconic 20th-century camera is making a comeback, updated for the 21st century. The **POLAROID Z2300 INSTANT DIGITAL CAMERA** ($180) captures 10-megapixel photos, has a 3-inch LCD display, supports up to 32GB of storage and spits out 2-by-3-inch prints in under a minute.

▶ **AERIAL DRONE** For the photography enthusiast looking to expand his horizons, consider the **PARROT AR.DRONE 2.0 QUADCOPTER ELITE** ($300), which has a high-definition camera for aerial photos and video. The **DJI PHANTOM 3 ADVANCED** (about $1,000 online) captures professional-quality video and photos.

TECH VALUES

Louis Ramirez, senior features writer for DealNews.com, shares his picks for great deals during the holiday shopping season.

▶ **TVs** Look for bargains on **60-INCH TVs**. Brands such as Insignia and RCA should sell for about $550 (regularly $600 or more). Among 4K TVs, prices on the **55-INCH VIZIO P SERIES** and newer **M SERIES** models (regularly starting at $900) could fall to about $650.

▶ **LAPTOPS** The **11-INCH MACBOOK AIR** could drop to about $730 (regularly $899) through retailers such as Best Buy. If you prefer Windows, watch for prices of about $300 on the **DELL INSPIRON 15 5000 SERIES** models (regularly $400 or more).

▶ **TABLETS** Prices on the 16GB, Wi-Fi-only **IPAD AIR 2** could go as low as $350 (regularly $499). But the 7-inch, 8GB **AMAZON FIRE** tablet sells for an unbeatable $50—and if you buy five tablets, the sixth is free.

▶ **SMARTPHONES** The newest **MOTO G** (Android) is just $180 for the 8GB version. If you buy it unlocked from Motorola, you can use the phone with any of several carriers.

CARS

▶ **RESALE VALUE** The **TOYOTA TACOMA**, starting at $24,200 for the 2016 model, is the overall-resale-value winner for 2015. It's expected to retain 72% of its original retail price after three years, says Kelley Blue Book. Among family sedans, the **SUBARU LEGACY** ($22,540) should be worth 56% of the sticker price three years down the road. And in the crossover crowd, the **PORSCHE MACAN** ($53,595), below, is predicted to retain 65% of its sticker price after three years.

▶ **FUEL ECONOMY** The 2016 **TOYOTA YARIS** (estimate: $16,405) and Scion iA ($17,595) boast an impressive 37 miles per gallon in combined city and highway driving. The fuel-economy leader among family sedans is the **MAZDA6** ($23,815), with a combined 32 mpg. Among crossovers, the compact **HONDA HR-V** ($20,795) bests its peers with 31 mpg.

COURTESY LG ELECTRONICS; COURTESY PORSCHE; COURTESY APPLE

ALASKA IS OUR TOP SPOT FOR RETIREES LOOKING FOR LOW TAXES.

PLACE TO RETIRE

...FOR LOW TAXES Alaska has no income tax or state sales tax. Plus, **ANCHORAGE** and **FAIRBANKS**, two of the state's largest cities, impose no local sales tax. Property taxes are slightly above average for the U.S., but if you've been a legal resident for at least a year, you'll receive an annual "permanent fund dividend" from an investment pool funded by oil taxes. In 2014, the dividend was $1,884.

...FOR SKIING AND HIKING It's a short commute from the thriving, walkable downtown of **SALT LAKE CITY** to first-class skiing and great hiking trails. From December through April, the Utah Transit Authority provides bus service to the most popular resorts. The cost for riders 65 and older is just $4.50 round-trip. The Little Cottonwood and Big Cottonwood canyons, about 20 miles from the city, offer trails with varying degrees of difficulty and spectacular views.

...FOR HEALTH CARE Yes, it gets cold in the winter, but **ROCHESTER, MINN.**, home to the world-renowned Mayo Clinic, has the most doctors per capita in the U.S. It also has an abundance of hospital beds and offers specialty care for Alzheimer's patients. The city's downtown is connected by a series of skyways that will shield you from the elements. But you'll want to brave the cold in February for SocialIce, an annual extravaganza that features ice carving for the kids and ice-themed bars for parents.

...FOR THE ARTS **SANTA FE** has more than 250 art galleries and 12 museums, including the only one in the U.S. dedicated to Georgia O'Keeffe. The Santa Fe Opera puts on world-class performances. Santa Fe averages 283 sunny days a year, and residents enjoy an abundance of great restaurants, from innovative Southwestern fare to bistro cuisine.

...FOR LIFELONG LEARNING College towns appeal to retirees who crave intellectual stimulation, and it's hard to find a place more stimulating than **CAMBRIDGE, MASS**. The hometown of Harvard and the Massachusetts Institute of Technology features concerts, lectures and museum exhibits seven days a week. The Cambridge/Boston metro area also offers some of the nation's highest-quality health care. Taxes and housing costs are higher than the national averages, but you can save money by selling your car: Cambridge is one of the most walkable communities in the U.S.

HAVENS FOR EXPATS

▶ Retirees with wanderlust who enjoy an urban lifestyle may want to check out **MEDELLIN, COLOMBIA**, says Dan Prescher, senior editor for *International Living*. Once known as a haven for drug lords, Medellin has transformed itself into a cosmopolitan, well-run city with excellent health care. Plus, the Colombian peso has fallen by more than 66% against the dollar in the past year. Another popular destination is **JOÃO PESSOA, BRAZIL**, a prosperous and safe city in the northeastern part of the country. A big drop in the value of the real against the dollar has made João Pessoa a bargain. In sunny **VALENCIA, SPAIN**, some apartments cost less than $110,000, thanks to the dollar's 12-year high against the euro. Or consider the **BEARA PENINSULA, IRELAND**, in the southwest, where cottages with ocean views are priced as low as $110,000.

REMSBERG INC./DESIGN PICS/GETTY IMAGES

TRAVEL

▶ **AIRLINE FOR ON-TIME ARRIVAL** Among airlines that traverse the continental U.S., **ALASKA AIRLINES** is the most punctual carrier of 2015. More than 86% of its flights arrived on time.

TRAVELPRO CARRY-ON BAGS ARE LIGHTWEIGHT AND DURABLE.

▶ **AIRLINE FOR BAGGAGE HANDLING** **VIRGIN AMERICA** passengers can breathe easier knowing that the airline has lost fewer than one bag per 1,000 passengers in 2015.

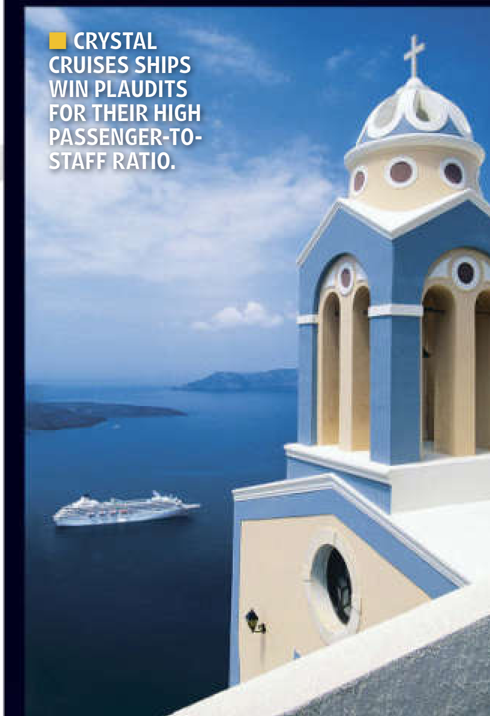
▶ **AIRFARE COMPARISON SITE** **GOOGLE FLIGHTS** spotlights itineraries with the best combination of price, duration, stops and more, while map and bar-graph tools help you explore cheaper destinations and dates.

▶ **HOTEL BOOKING SITE** Reviews on **TRIPADVISOR** are plentiful and geared to the type of traveler, whether it's a family or someone traveling solo. The site has photos and maps that pinpoint nearby restaurants and sights. Best of all, a search for hotels links to results from several popular booking sites, including Expedia and Booking.com. Or you may be able to reserve through TripAdvisor's "instant booking" feature.

▶ **LOYALTY PROGRAM** **AMERICAN AIRLINES AADVANTAGE** still lets you earn miles based on how far you fly, not how much you spend. You can also rack up miles on a couple of dozen partner airlines that reach almost 1,000 destinations worldwide. On the hotel front, **MARRIOTT REWARDS** is best for the typical leisure traveler, with a robust network of hotels around the world and plenty of ways to redeem points besides hotel stays.

▶ **EXPEDITED SECURITY SERVICE** For domestic fliers, **TSA PRECHECK** ($85 for five years) will let you keep your shoes on as you go through security screenings in many U.S. airports. But international travelers should pay the extra $15 for **GLOBAL ENTRY**, which also lasts five years. You're eligible for the same PreCheck benefits and get a speedier trip through Customs when you return to the U.S.

▶ **CARRY-ON LUGGAGE** The compact **TRAVELPRO CREW 10 INTERNATIONAL CARRY-ON SPINNER** ($195 on eBags.com) meets the stringent size guidelines for international travel. It's lightweight (6.8 pounds), durable and comes with a limited lifetime warranty. If you mostly travel domestically, go with the **TRAVELPRO CREW 10 21-INCH EXPANDABLE SPINNER** (also $195 at eBags.com). It meets domestic guidelines for overhead bins and weighs 8.4 pounds.



CRYSTAL CRUISES SHIPS WIN PLAUDITS FOR THEIR HIGH PASSENGER-TO-STAFF RATIO.

CRUISES

▶ **LUXURY** The ships of CRYSTAL CRUISES are larger than typical luxury liners but offer attentive service, with one of the highest passenger-to-staff ratios in the industry. The cruise line also offers exotic routes, such as a trip through the Northwest Passage in Canada. (All cruise picks are by the editors of CruiseCritic.com.)

▶ **FAMILIES** ROYAL CARIBBEAN INTERNATIONAL caters to all age groups, with nurseries for babies, rock climbing and zip-lining for teens, and Broadway shows, spa services and a casino for grown-ups. Staterooms are family-friendly, too, accommodating up to 16 passengers.

▶ **VALUE** Inside cabins go for as little as $75 per person on CARNIVAL CRUISE LINE, and many restaurants and activities—including poolside movies and live music— are included in the base price.

▶ **RIVER CRUISING** UNIWORLD BOUTIQUE RIVER CRUISE COLLECTION, one of the most inclusive river lines, will add in-suite butler service to European voyages plus a new route along India's Ganges River in 2016.

POBA/GETTY IMAGES; COURTESY CRYSTAL CRUISES

LOWDOWN

What You Need to Know About Holiday Spending

Score the best deals with price matching, rebates and free shipping. BY KAITLIN PITSKER

1. Find the lowest price. The Web sites DealNews.com and BensBargains.com will do the work for you. Each site tracks bargains at more than 2,000 retailers. Using a price-tracking tool, such as CamelCamelCamel .com or PriceZombie.com, can help you time your purchases and send an alert when the price of an item drops. And procrastination may pay off. After sluggish sales growth early in the year, some retailers will wait to slash holiday prices in hopes of selling items to eager shoppers before rolling out the biggest promotions.

2. Ask for price matching. Smartphone apps, such as ShopSavvy and RedLaser, can help you spot ways to save by scanning an item's bar code and comparing prices online. But getting a store to match a competitor's price isn't always as easy. To better your odds, research the store's policies on its Web site or call ahead. Some stores won't match an online retailer's price or may require that you show a competitor's print ad. Even if you think you know the rules, check again. Target, for example, recently expanded its policy to include 29 retailers, among them Amazon, Costco and Staples, and it now offers price matching for Target .com purchases.

3. Use free shipping. Even if you don't have access to free shipping through Amazon Prime or a TargetRED card, you don't have to pay for it. If you're on a store's mailing list or a member of its loyalty program, check your e-mail for recent messages containing free-shipping codes. As the holidays near, look for retailers to sweeten the deal by combining free shipping with other last-minute sales. And if you're still shopping on December 18, visit FreeShippingDay.com for a list of about 1,000 retailers offering free shipping (and discounts), with guaranteed delivery by Christmas Eve. But don't let the allure of free shipping distract you from the bottom line. The item you're buying may be available for less, even if you have to pay for shipping. PriceGrabber.com has a tool that factors shipping fees into the price.

4. Read the fine print on rebates. Rebates for home appliances and tech items are common and may be sizable for major purchases. For example, Samsung recently offered customers who purchased the Galaxy S6 a $100 rebate. You'll typically pay the full cost up front and then mail a rebate form, with the receipt and proof of purchase, to receive a check or gift card. Don't count on a rebate if the item is a gift that may need to be returned. You will probably be asked to remove the item's bar code from the package to accompany the paperwork, which could make returning the item tricky.

5. Get the skinny on warranties. Many household products, from cookware to luggage to electronics, come with built-in warranties. For example, Craftsman, JanSport and L.L. Bean offer to repair or replace items that become defective through normal use. But not all warranties are as comprehensive. Some may cover only certain parts of the product or expire after a given period of time. It's rarely worth paying extra for the extended warranties that retailers will try to sell you for major purchases. ■

THE PROJECT TWINS

THEN AND NOW

Lorena Garcia: Her third airport-based restaurant will open soon in Dallas–Fort Worth.

March 2007

From Law Student to Celebrity Chef

THEN: Lorena Garcia planned to pursue a legal career when she immigrated to the U.S. from Venezuela. Instead, she got hooked on cooking and never looked back. When she appeared on our "How to Make a Million" cover in March 2007, Garcia was already a rising star in the Miami culinary community, where she was the executive chef at her own restaurant and hosted cooking shows on Hispanic television.

NOW: Garcia, 46, plans to open her third airport-based restaurant, in Dallas–Fort Worth, early next year. She already operates one in Miami (Lorena Garcia Cocina) and one in Atlanta (Lorena Garcia Tapas). In Miami, she also owns what she calls a "culinary loft," a 5,000-square-foot indoor-outdoor kitchen that can accommodate corporate events, cooking demonstrations, TV shows and private dinners. Garcia recently published her second cookbook, *Lorena Garcia's New Taco Classics,* which she describes as "the bible for tacos, in all their variations," with an emphasis on simple preparation and healthful ingredients. A judge on Telemundo's *Top Chef Estrellas,* the Hispanic version of Bravo's *Top Chef,* Garcia established her reputation in the U.S. as a semifinalist on *Top Chef Masters.* She has also appeared on the NBC show *Food Fighters* and on Food Network's *Guy's Grocery Games,* and she will be featured on *Talia's Kitchen,* a children's series for Nickelodeon.

Despite her impressive résumé, Garcia doesn't consider herself a celebrity chef. "If you keep that perception of yourself internally, you're in trouble." The key, she says, is staying in touch by staying in the kitchen. "It's the difference between writing your own cookbook [which she did in six months] and hiring someone else to do it."

For Garcia, it's particularly gratifying that her Lorena Bella Kitchen Collection on HSN is being represented by Joy Mangano. Mangano, who invented the Miracle Mop and went on to amass more than 100 patents, built a multimillion-dollar company selling her products on HSN (*Joy,* a film inspired by Mangano's life story and starring Jennifer Lawrence, is set to open in theaters on December 25). "We were in conversation for over a year to create a kitchen collection for HSN," says Garcia. "Joy has been my mentor in representing my brand, which has helped me focus."

Focus, she says, is what helps her keep many balls in the air: "Just take it one thing at a time, and give everything 100%." For budding chefs (and other would-be entrepreneurs), her best advice is to become a master at what you do to gain confidence. "Simplify, focus, execute. Those are the keys." **JANET BODNAR**

INSET PHOTO: MIKI DUISTERHOF

PHOTOGRAPH BY JEFFERY SALTER/REDUX

FOCUS RS

Go Further